



# US Economic Outlook: 2025 Q1

The Fed will need to resume rate cuts to maintain solid economic growth.



Table of Contents

<b>Forecast Update:</b> Minor Uptick in Inflation Forecast	4	<b>Investment:</b> AI Starting to Have Impact, but Still Modest Compared With Prior Booms	26
<b>Special Topic: Tariffs and the Twin Deficits:</b> Tariffs Unlikely to Help Current Account Balance	9	<b>Labor:</b> Recent Data Stronger Than Expected, but Slowdown Still Coming	30
<b>Economic Overview:</b> We Expect Economic Growth to Trend Down Until 2026	17	<b>Inflation:</b> Inflation Still Normalizing, Though Tariffs Would Jeopardize That	35
<b>Consumer Spending:</b> Low Saving Rate Will Be Cause for Pullback	21	<b>Monetary, Fiscal, and Financial:</b> We Project More Rate Cuts Than the Market Expects	40

Multi-Asset Research

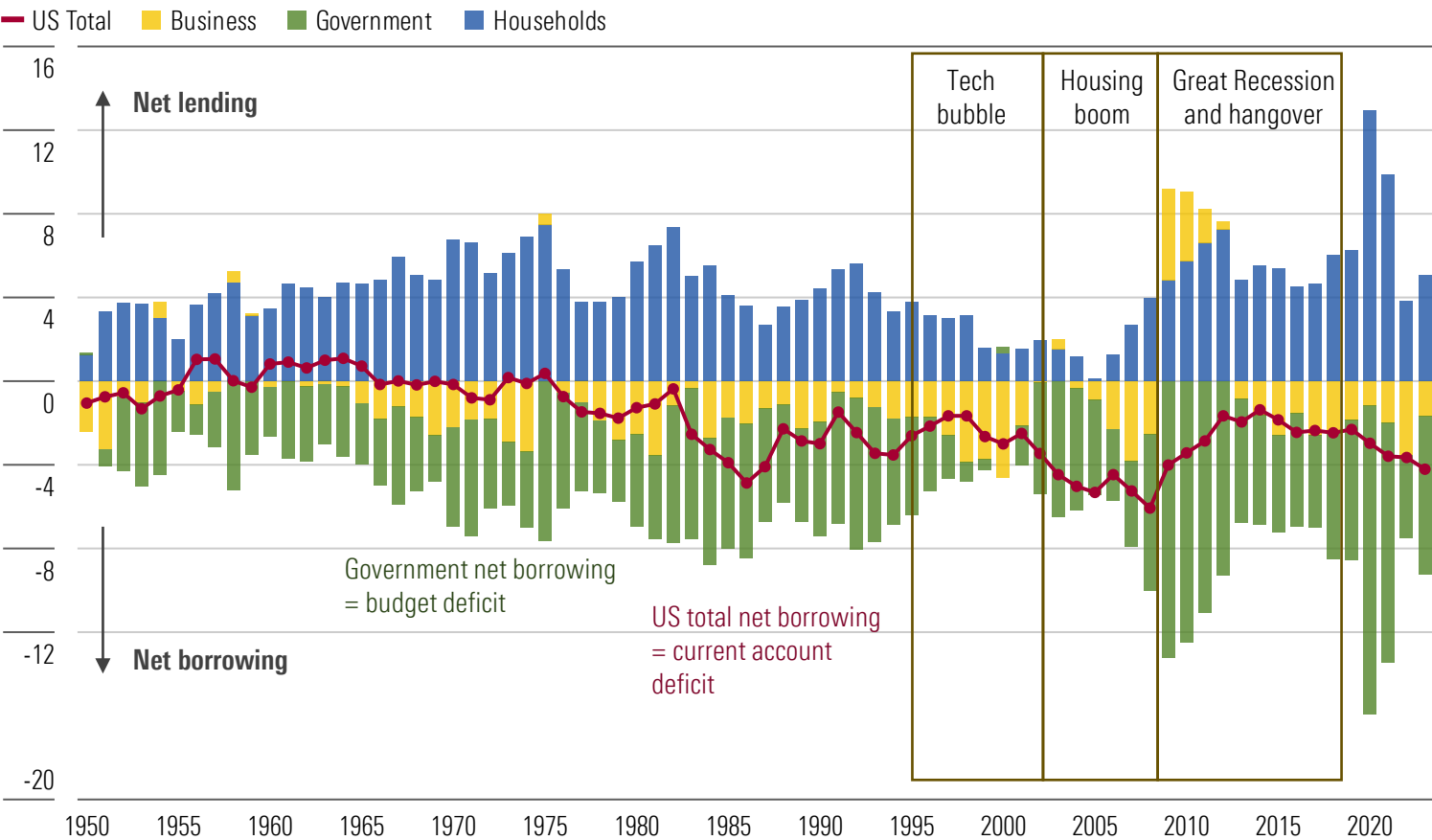
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# Key Takeaways

- We still expect GDP growth to weaken over the next one to two years owing to consumer retrenchment (to correct low saving rates) and other factors. Slowing growth should strip away the last remnants of high inflation, along with lagged inflationary effects on housing fading away. GDP growth should reaccelerate moderately over 2027-29 as the effects of Fed rate cuts kick in. Our projection for the federal-funds rate is 150 basis points below market expectations by early 2027.
- A reduction in the current account deficit could ease the process of reducing the US government budget deficit. Without the former, any reduction in the US government budget deficit must entail a reduction in net lending by the US private sector. Such a drop in private sector net lending could harm its financial health, as during the 1990s and 2000s booms. But tariffs are unlikely to help in reducing the current account deficit, as the main driver is the inflow of foreign capital.

Net Lending/Borrowing by Sector, % GDP



# Forecast Update

Minor uptick in inflation forecast.

# Normalizing Inflation Will Allow the Fed to Cut Aggressively and Maintain Solid GDP Growth

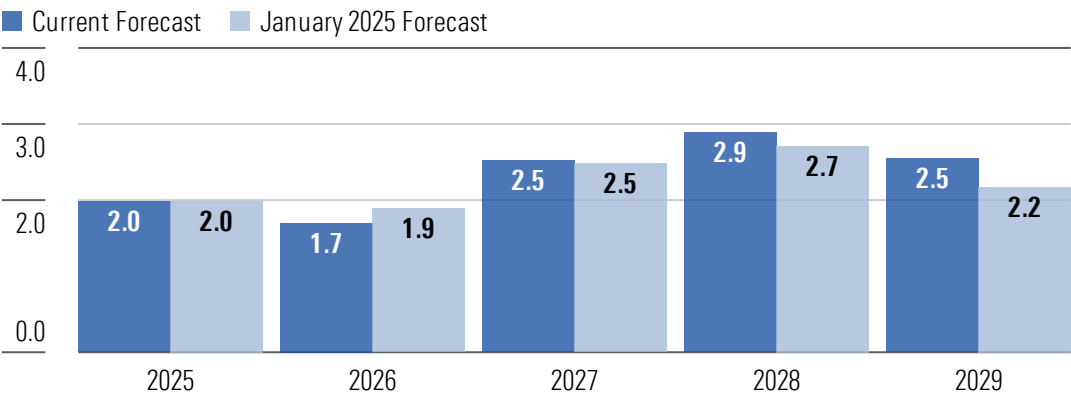
## We Expect Growth to Trough Over the Next Two Years but Rebound After That

Our GDP growth forecast for 2025 is essentially unchanged. Excluding the decline in inventories, fourth-quarter 2024 GDP data was slightly stronger than expected. Job market data has also looked more bullish. On the other hand, retail sales declined sharply in January, and long-term bond yields have remained high. We trimmed our 2026 growth expectations owing to the impact of delayed Fed rate cuts and higher bond yields. Overall, we continue to expect growth to weaken owing to consumer retrenchment and other factors, followed by a rebound over 2027-28 as the effects of Fed rate cuts kick in.

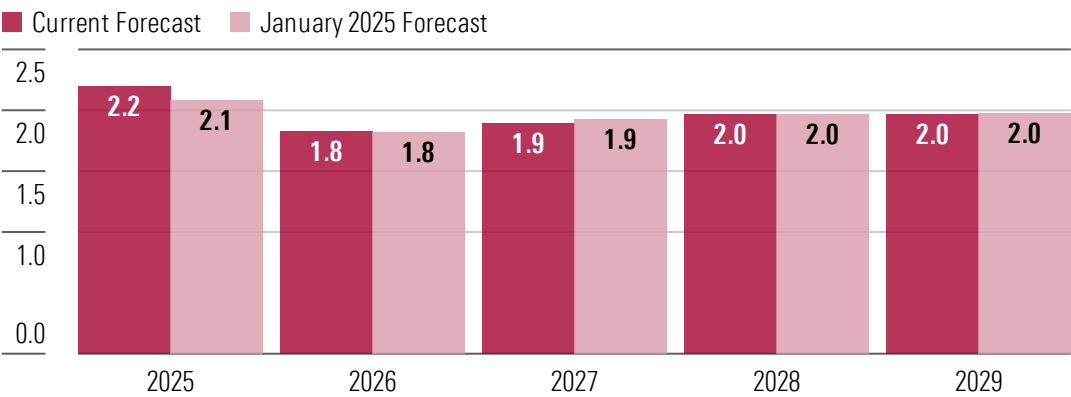
## Inflation Should Average at Fed’s 2% Target Over 2025-29

Our inflation forecast ticks up slightly owing to upward surprises in recent data. Still, we essentially project a return to normal for inflation in 2025, with inflation averaging 2.0% over 2025-29. Slowing economic growth, along with the running off of the lagged inflationary effects in housing, should push inflation lower in coming years. However, we’re currently still marking a relatively low probability of the worst case for tariff hikes. If we’re wrong, then it could take longer to return inflation to the Fed’s 2% target.

## GDP Forecast Revisions



## Inflation (PCE) Forecast Revisions



# Consensus Has Shifted Closer to Our Optimism on Strong GDP Growth and Mild Inflation

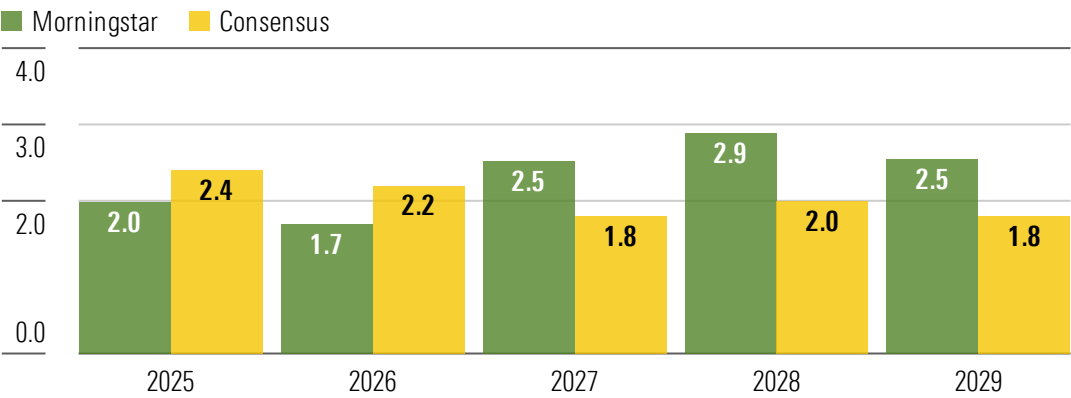
## We Start Off More Pessimistic on Growth but End More Optimistic

We're slightly upbeat on growth in the longer run, as we expect about a cumulative 1.4 percentage points more real GDP growth through 2029 than consensus does. This is mainly because of our optimism on labor supply growth, including labor force participation rates, where we expect abundant job availability to draw in more people to the workforce.

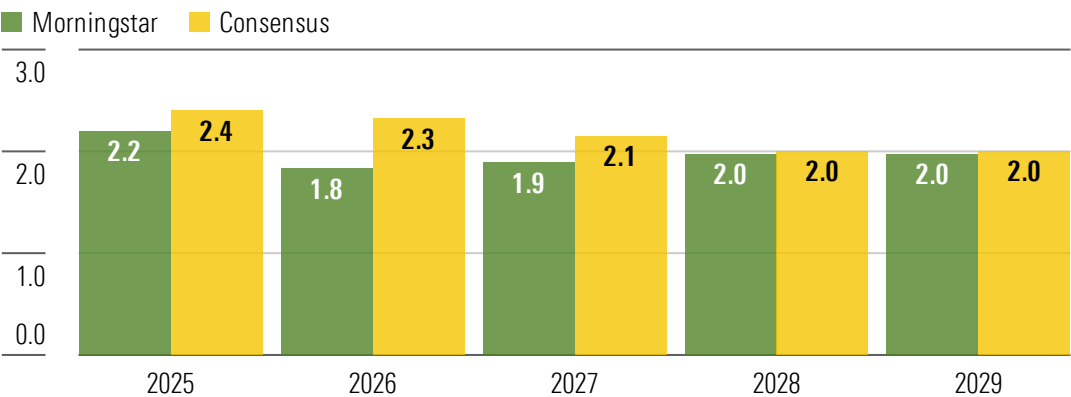
## We Expect Inflation to Fall a Bit More Than Consensus Does

On inflation, we are under consensus expectations over the next few years. This is owing to our view that the economy will be running a bit below potential in 2025 and 2026, and this slack should generate disinflationary pressure. This should allow for interest-rate cuts that are more aggressive than the market expects. Even while we expect GDP growth to exceed consensus in 2027 and 2028, this will be amply supported by supply-side expansion, so inflation should remain tame.

## GDP Forecast Revisions



## Inflation Forecast Revisions



# Interest Rates to Fall

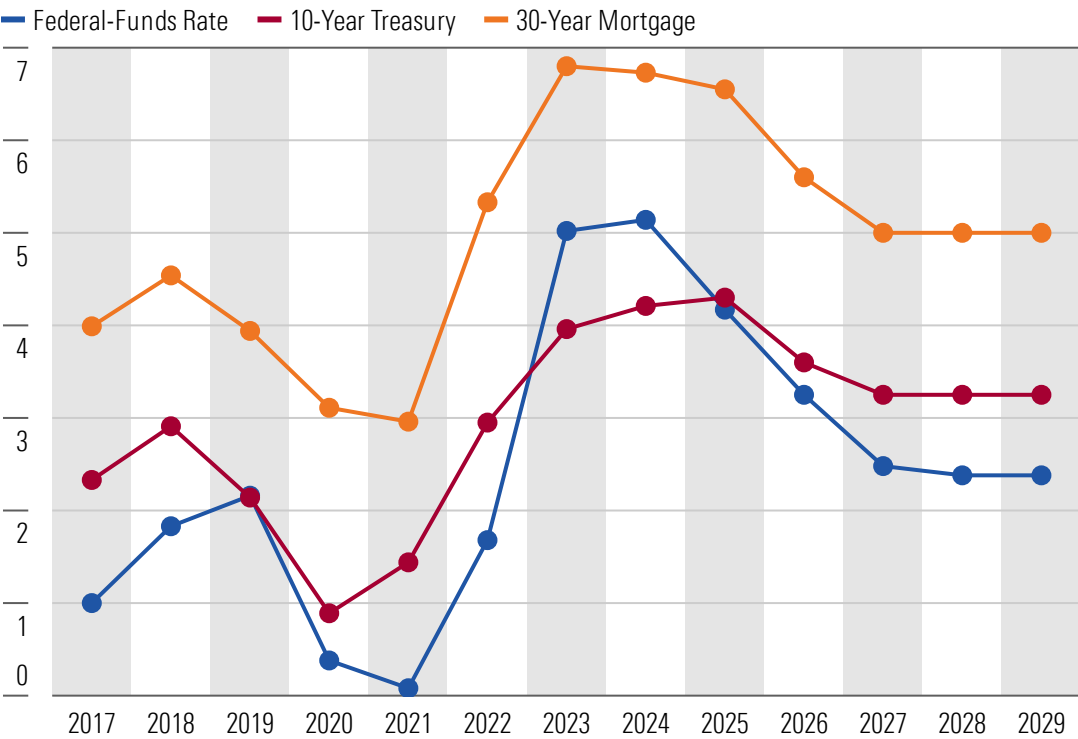
## More Fed-Funds Rate Cuts Needed to Drive Long-Term Yields Lower

After a federal-funds rate cut of 100 basis points in late 2024, we expect another 200 basis points in cuts through early 2027 owing to slowing economic and job growth and inflation running slightly below target.

Aggressive rate cuts should allow GDP growth to reaccelerate over 2027-29. By 2027, we expect monetary policy with a neutral stance, with the fed-funds rate and the 10-year Treasury yield in line with our assessment of their long-run natural levels.

The current 10-year Treasury yield of 4.3% stands above our long-run expectation of 3.25%. Similarly, the current five-year Treasury yield of 4.1% implies an average federal-funds rate of 3.8% over the next five years (assuming a 50-basis-point term premium), above our expectation of 2.6%.

## Interest-Rate Forecasts (Annual Average)



(%)	2024	2025	2026	2027	2028	2029
Fed-Funds Rate	5.14	4.17	3.25	2.48	2.38	2.38
10-Year Treasury	4.21	4.30	3.60	3.25	3.25	3.25
30-Year Mortgage	6.73	6.55	5.60	5.00	5.00	5.00

# Our Supply-Side View Drives Our Bullish View on GDP

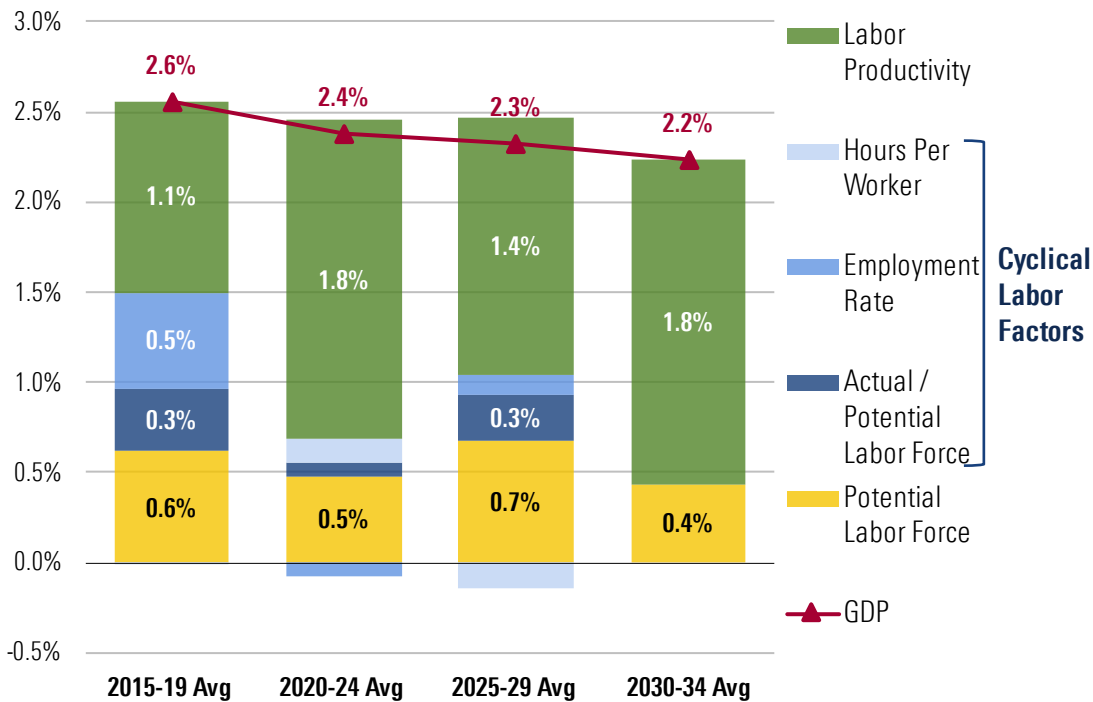
## We Expect More Labor Force Expansion Than Consensus

Our longer-run GDP forecast is determined solely by our projections for the supply side of the economy, as we expect the Fed to calibrate aggregate demand so that the economy is operating at full capacity. GDP growth in the prepandemic years was fueled heavily by cyclical labor market expansion (the long recovery from the Great Recession). Therefore, we can't take for granted that prepandemic growth rates represent a good benchmark for long-term growth.

Compared with consensus, our bullish view on GDP through 2029 is driven by our expectations for labor supply. We expect labor force participation (adjusted for demographics) to recover ahead of prepandemic rates as widespread job availability pulls in formerly discouraged workers. Consensus expects labor force participation to struggle to reach prepandemic rates.

Since the start of the pandemic, productivity growth has averaged about 1.8%. We expect about 1.4% growth over 2024-29. This should accelerate further over 2030-34 as the impact of artificial intelligence starts to play out in the broader economy.

US Real GDP Growth: Supply-Side Decomposition



$$\text{Real GDP} = \text{Potential Labor Force} \times \frac{\text{Actual LFP}}{\text{Potential LFP}} \times \frac{\text{Employees}}{\text{Labor Force}} \times \frac{\text{Hours}}{\text{Worker}} \times \frac{\text{Output}}{\text{Hours Worked}}$$

(1 - unemployment rate)      "labor productivity"

Source: Bureau of Economic Analysis, Morningstar.

See Important Disclosures at the end of this report.



# Special Topic: Tariffs and the Twin Deficits

Tariffs unlikely to help current account balance.

# Tariff Hike Scenarios Could Cause GDP to Fall by a Combined 1.6%

We estimate that a 10% uniform tariff hike and a 60% tariff hike on China would reduce the long-run level of US GDP by 1.6%. However, we think the probability that these tariffs are implemented and maintained for a multiyear period is low. Markets mostly seem to be pricing in the same. Still, we’ve shaved 0.32% off our forecasts for cumulative real GDP growth through 2028 to account for the probability-weighted impact. The quick and easy negotiations that alleviated tariffs on Colombia, Mexico, and Canada support our low probability assessment.<sup>1</sup>

The potential impact of China tariff hikes is somewhat mitigated by the ability of companies to dodge tariffs by rerouting through third countries. Following the 2018-19 tariff surge, goods imports from China fell from an average 2.5% of US GDP over 2016-18 to 1.9% over 2021-23. But total US imports have remained about flat as a share of GDP.

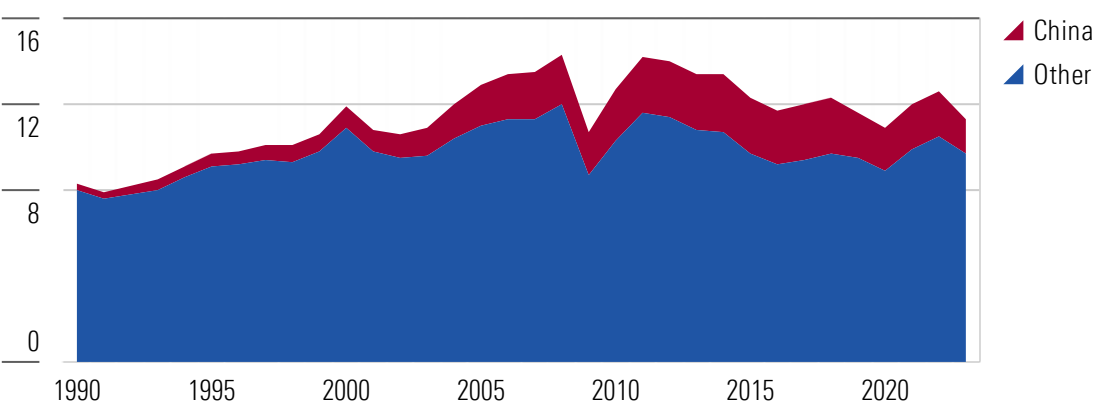
Higher tariffs would unambiguously reduce real GDP. The degree to which they also affect inflation and other macroeconomic variables is contingent on the fiscal and monetary policy response. For example, if the proceeds from tariffs are used for tax cuts, the tariffs would be more inflationary, or they would lead to higher interest rates owing the Fed's response to inflationary pressures. On the flip side, exchange-rate appreciation would dent the inflationary impact of tariffs, at the cost of harming US exporters.

<sup>1</sup> This updates the analysis presented in our third-quarter 2024 [US Economic Outlook](#). See pages 10-14 of that document for further justification of our low tariff probability assessment.

US GDP Impact of Tariff Hike Scenarios

Scenario	Impact (% GDP)	Probability (Implemented <u>and</u> maintained)	Probability- Weighted Impact (% GDP)
10% Uniform Hike	1.1%	15%	0.17%
60% on China	0.5%	30%	0.15%
Total	1.6%		0.32%

US Goods Imports % of GDP



# The Worst-Case Tariff Hikes Would Erase Nearly a Century of Trade Opening

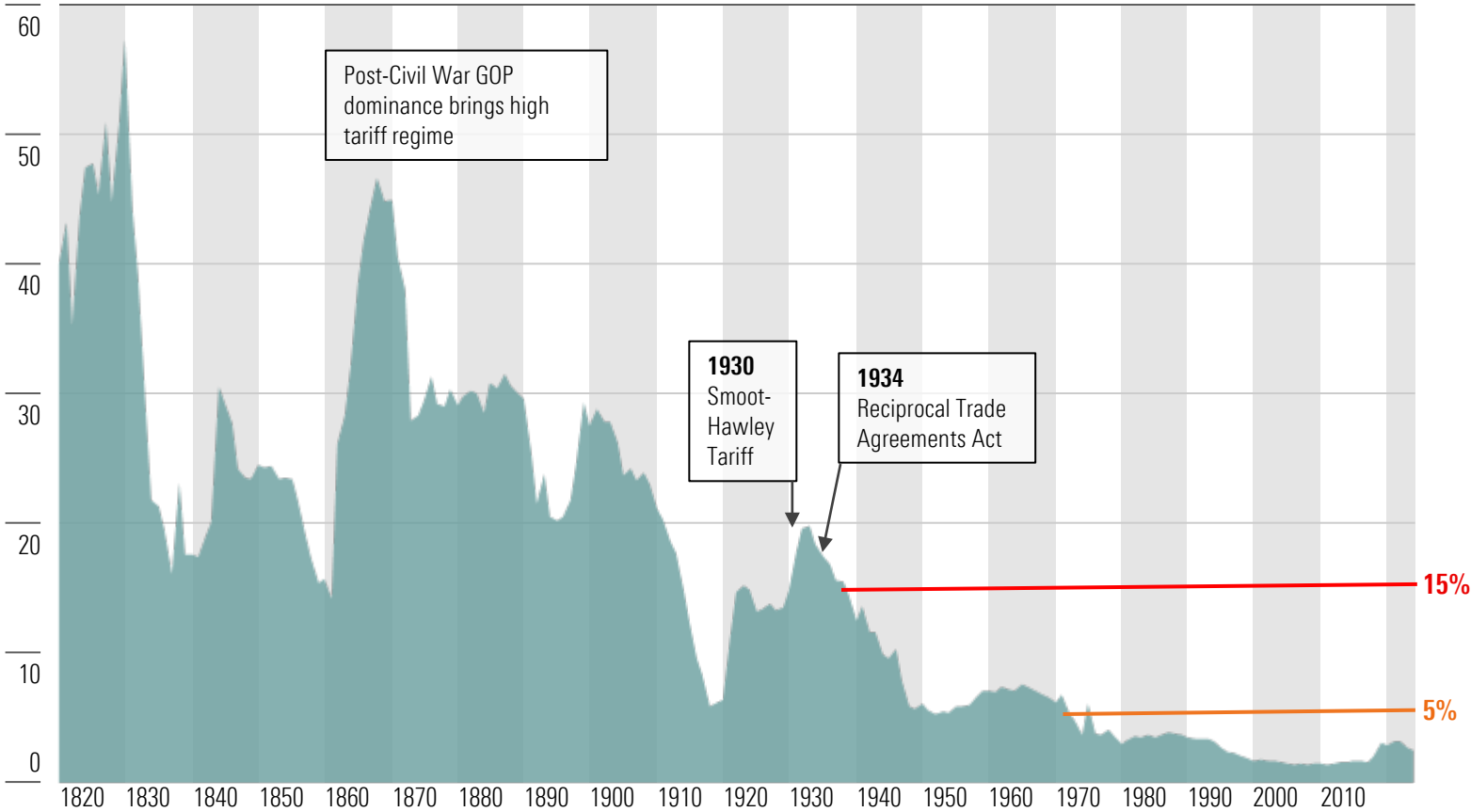
Low tariff rates have been the standard for the US and most other major economies since the end of World War II, but that hasn't always been the case. From the second half of the 19th century to the early 20th, the US had very restrictive tariffs.<sup>1</sup>

The average US tariff rate<sup>2</sup> was about 2.5% in 2024, up modestly from 1.7% in 2016 owing to the tariff hikes implemented in 2018-19. Implementation of the 10% uniform and 60% China hikes would push the rate up to at least 15%, the highest since the early 1930s. A more realistic scenario is that the average tariff rate rises to around 5%; as of Feb. 26, traders on [Polymarket](#) assess about a 40% probability of this happening by the second quarter of 2025. This would be the highest rate since the early 1960s, albeit still low compared with the pre-World War II norm.

<sup>1</sup> Douglas Irwin's *Clashing Over Commerce* is a magisterial account of this history

<sup>2</sup> The "average tariff rate" (total tariff revenue divided by total imports) is not a perfect measure of trade restrictiveness. To illustrate, imagine that Country A and Country B each account for half of home country's imports, with tariffs initially at 0%. Home country then levies a 200% tariff on Country B, making imports from them prohibitively expensive. Imports from Country B cease, so the average tariff rate stays at zero (the rate applied to Country A).

**US Average Tariff Rate, %**  
Customs duties/total imports of goods.



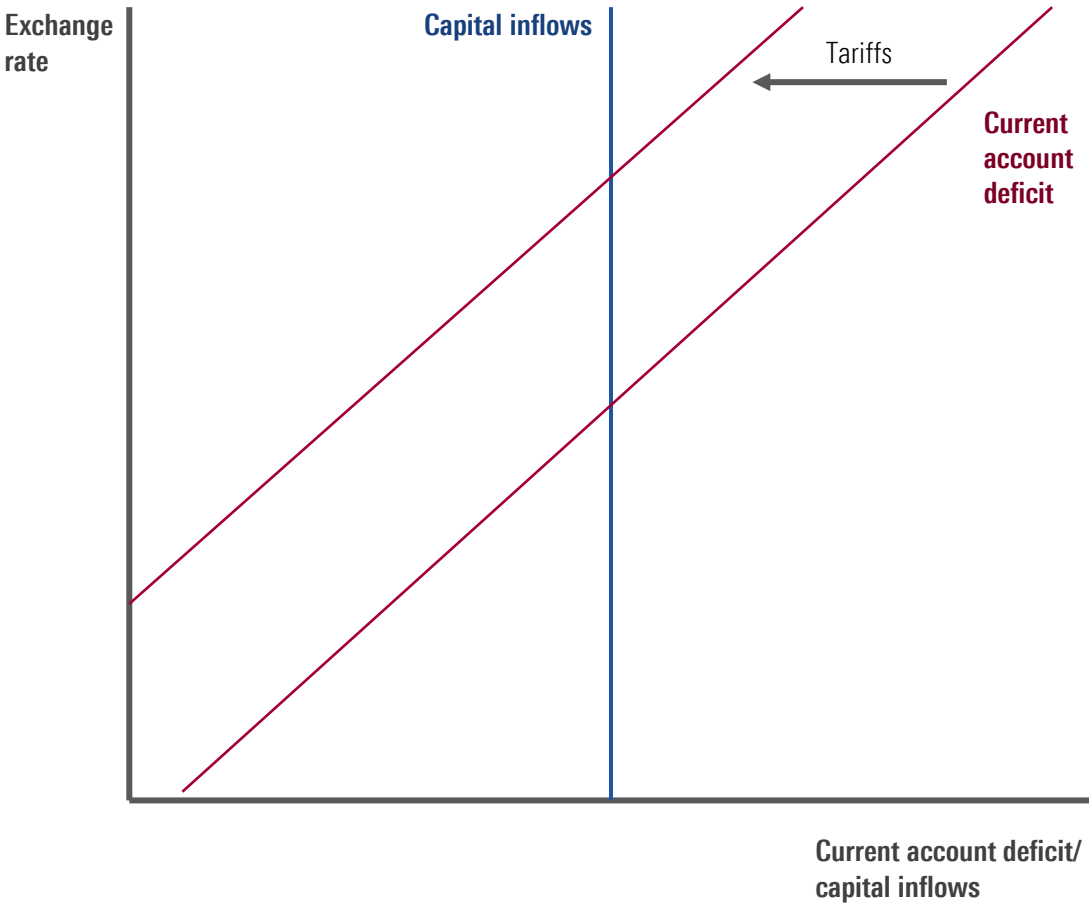
# Why It's Unlikely Tariffs Would Reduce the Trade Deficit

In part, President Donald Trump’s agitation for tariffs stems partly from a long-standing grievance against the US current account deficit.<sup>1</sup> However, the direct impact of tariffs is extremely unlikely to make a dent in that deficit. This may seem counterintuitive, but it’s a logical consequence of a basic accounting identity: The current account deficit equals the net inflow of capital. This is not mere theory, but an accounting identity that holds with certitude.

If the flow of capital is inelastic with respect to the exchange rate (conveyed by the verticality of the line in the diagram), then an increase in tariffs cannot improve the current account deficit. The foreign-exchange market reaches a new equilibrium via exchange-rate appreciation. This appreciation mitigates the tariff hit to imports and causes exports to fall to the *exact* degree required to leave the current account balance unchanged.

The only assumption we’ve made is the inelasticity of capital inflows with respect to the exchange rate. It’s true that capital inflows should adjust to expectations of *future* exchange-rate changes, but there’s little strong reason for inflows to shift in response to a one-time exchange-rate appreciation. Thus, the standard economic view is that capital inflows would be essentially unchanged in this scenario.

US Government Budget Balance (% GDP)



<sup>1</sup> The current account balance equals the trade balance plus the balance on international investment income and various other international transfers. The trade balance is by far the largest component.

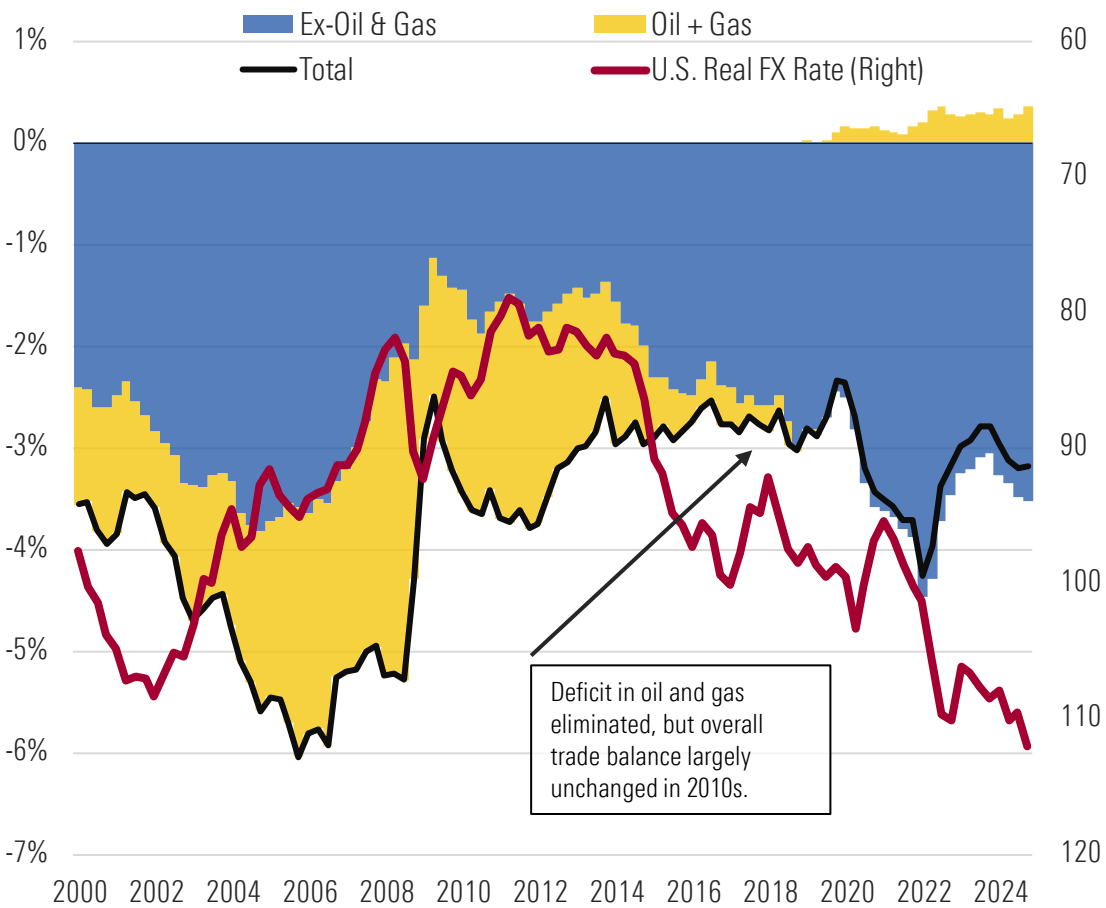
# Shale Revolution Didn't Lead to Reduced Trade Deficit

We can see the theory on the previous slide in action with the US shale oil and gas boom of the 2010s. The trade balance in oil and gas changed from a deficit of 1.4% of GDP in 2013 to zero by 2019 (and a surplus of 0.3% by 2024). But the overall trade deficit hardly changed, going from 2.8% in 2013 to 2.7% in 2019.

Because the desired net inflow of capital into the US didn't change much over 2013-19, the trade deficit couldn't improve. Instead, the effects of the shale boom were funneled into exchange-rate appreciation. The US dollar experienced a real appreciation of about 20% over 2013-19. This caused the trade deficit in all goods and services *other* than oil and gas to expand mightily over this period. Notably, the US became a large net importer of capital goods over that period.

By contrast, the events surrounding the Great Recession (the later 2000s and beginning of the 2010s) did manage to bring a significant reduction in the trade deficit. This is because the net inflow of foreign capital contracted. The fall in interest rates in the US and the deflating of the housing bubble made the US less attractive for foreign investment. More importantly, structural shifts in China and other countries led to reduced capital outflows (particularly reserve accumulation) from those countries. If the US is to make new headway against its current account deficit, it will have to engineer another reduction in the inflow of foreign capital into the US. This would entail a depreciation of the US dollar.

US Trade Balance (% GDP) and Real Exchange Rate



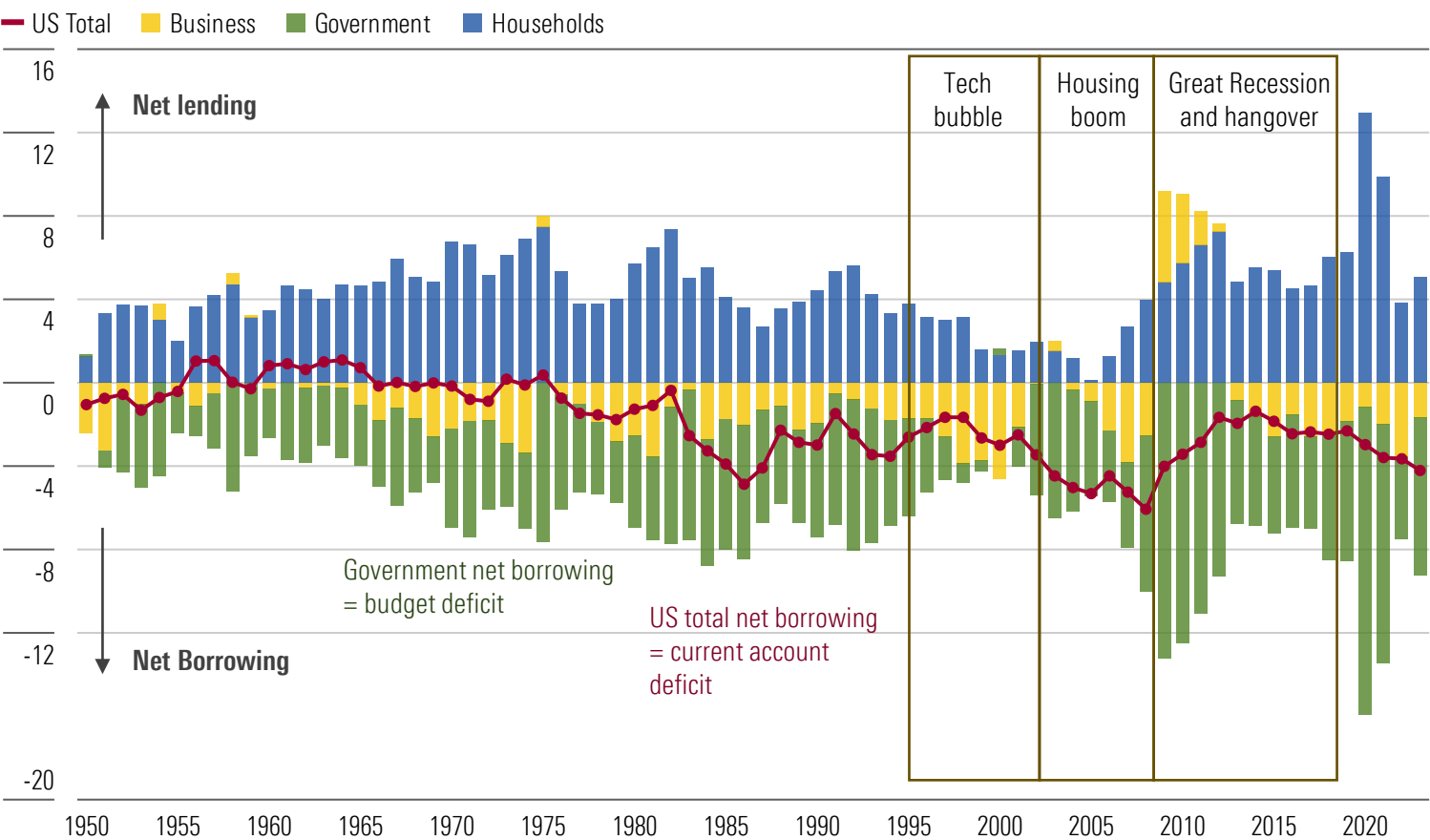
# Twin Deficits Are Connected via Sectoral Balances

The US current account deficit and the US government budget deficit are often called the twin deficits, as both have grown larger over the past half century. The combined government budget deficit averaged 3.2% of GDP in the 1960s and averaged 7.3% in the last 10 years. The current account balance went from a surplus of 0.5% in the 1960s to an average deficit of 3.0% in the last 10 years.

This is not the full story, however. Another accounting identity is that net lending (income less spending) across all domestic sectors must equal the current account balance. Equivalently, net lending for private domestic sectors (households and businesses) must equal the sum of the current account balance and the government budget deficit.

Thus, a reduction in the current account deficit could ease the process of reducing the US government budget deficit. Without the former, any reduction in the US government budget deficit must entail a reduction in net lending by the US private sector. Such a drop could harm the its financial health, as during the 1990s and 2000s booms.

Net Lending/Borrowing by Sector, % GDP



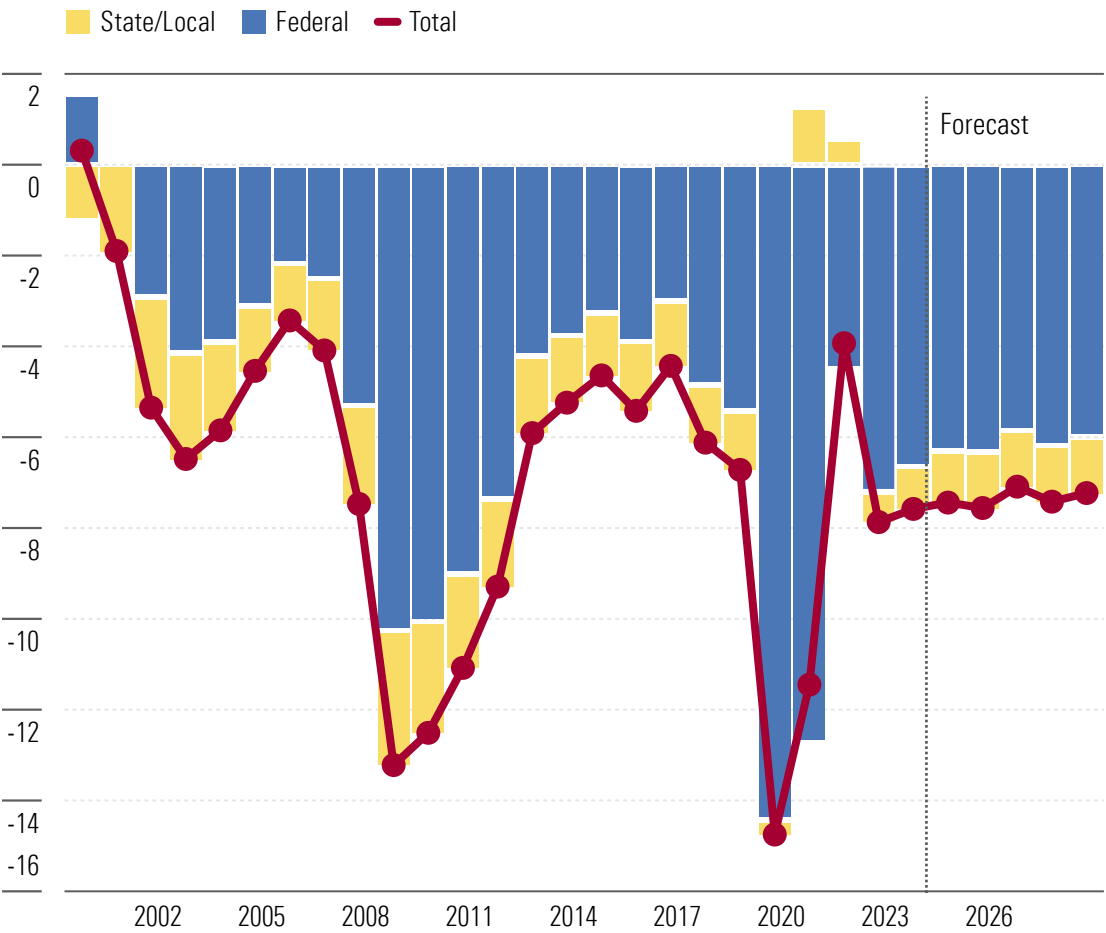
# Government Deficits to Remain a Step Above Prepandemic Level

We project the combined US government deficit as a share of GDP to average 7.3% over 2025-29.<sup>1</sup> That’s moderately larger than the prepandemic (2018-19) average of 6.4%, driven entirely by higher interest costs, owing to a higher debt/GDP ratio and a higher average interest rate on debt.

Full renewal of the 2017 Tax Cuts and Jobs Act would cost around 1.3% of GDP. Other goals around defense and border enforcement could also add to the deficit. However, the Republicans possess a slim congressional majority, and there are still some staunch deficit hawks in the GOP caucus. Thus, we expect a modest degree of spending cuts to offset tax cut renewal and new spending plans. Altogether, we expect new legislation (including TCJA extension) to add 1.0% of GDP to the deficit relative to the CBO’s no-new-legislation baseline.

<sup>1</sup> Our estimates are based on the Congressional Budget Office’s [forecasts](#). The CBO assumes no new legislation, so we add the estimated impact of future legislation. We also plug in different interest-rate assumptions than the CBO.

US Government Budget Balance (% GDP)



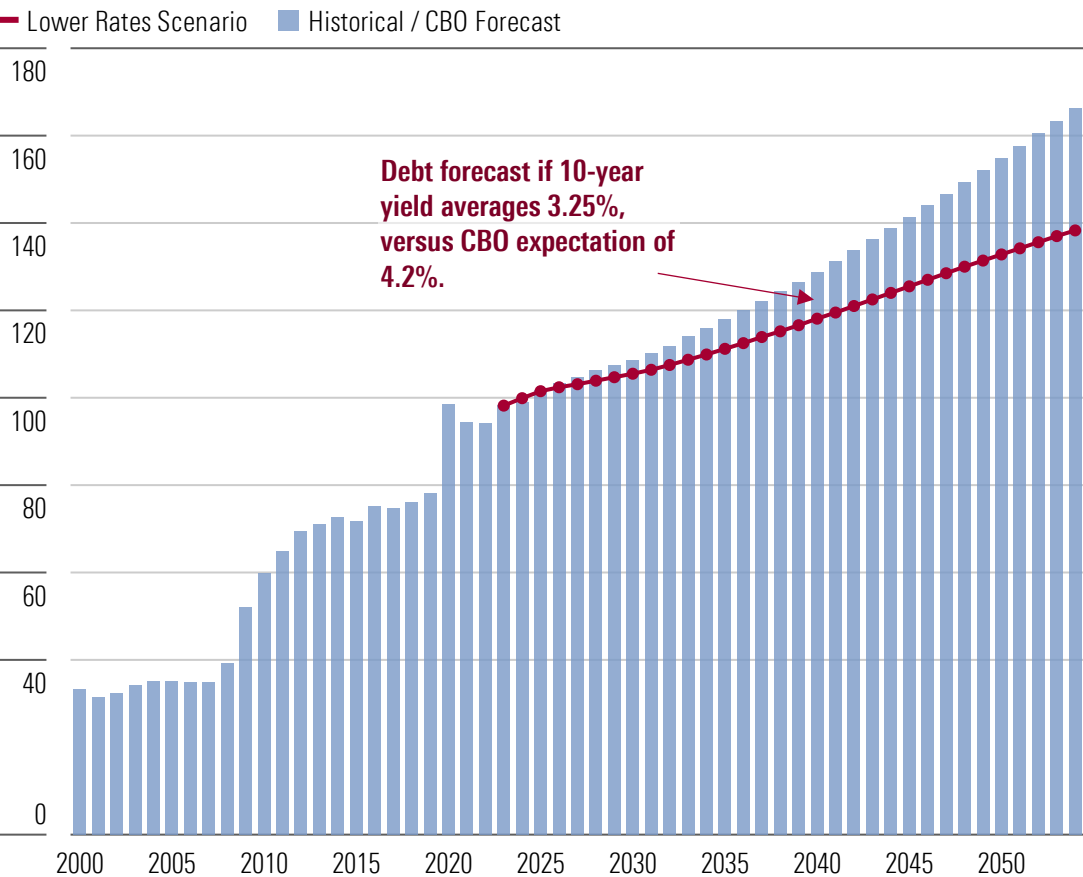
# Swelling Federal Debt Is Long Run Risk

The Congressional Budget Office [projects](#) US federal government debt to grow from 98% of GDP in 2023 to 166% by 2054. With that said, the CBO assumes higher-for-longer interest rates; it projects the 10-year Treasury yield to average 4.2% over the next 30 years, much higher than the 2.5% average over 2017-19. If we plug in our long-term 10-year Treasury yield forecast of 3.25%, the situation is not so dire. This lower-interest-rate scenario yields a 2054 federal debt level at 140% of GDP.

There's wide uncertainty among economists about what debt level might provoke a crisis, but our view is that a crisis is unlikely to materialize within the next decade at least. Japan has borne a government debt level around 200% or higher for over a decade.

Still, it would be prudent for the US to trim its deficit. A permanent cut of 2% of GDP would be sufficient to keep the debt/GDP ratio flat for at least the next decade. Acting now would be less painful than waiting until a crisis. Unlike the situation in the 2010s, there is no need for expansionary fiscal policy to keep the economy afloat. Back then, the zero lower bound on interest rates meant that monetary policy couldn't boost aggregate demand enough to push economic output in line with its potential. Now, though, interest rates are well above the zero lower bound, and output is running about in line with potential.

Federal Debt Held by Public, % GDP





# Economic Overview

We expect economic growth to trend down until 2026.

# We Expect Economic Growth to Trend Down Until 2026

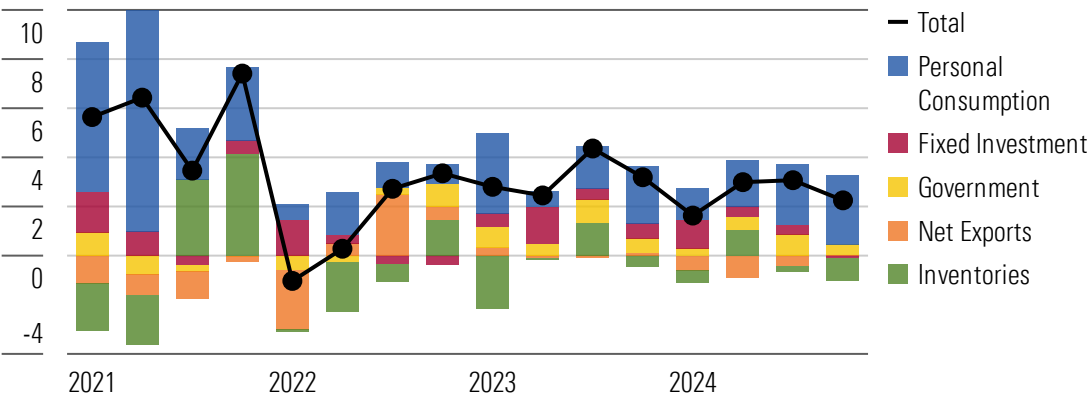
## Dip in Fourth-Quarter Growth Not a Signal That Slowdown Is Beginning, However

In the fourth quarter of 2024, US real GDP growth was 2.3% on a quarter-over-quarter annualized basis (up 2.5% year over year). This was a step lower than the 3% rate averaged in the two prior quarters, but that was mainly due to a 90-basis-point drag from inventories, which isn't likely to repeat. Final domestic demand (consumption plus investment) was up 3.1% quarter over quarter (3.0% year over year), with consumption expanding 4.2%. Overall, the fourth-quarter data shows little sign that economic growth is trending down. However, growth is becoming more dependent on the consumer.

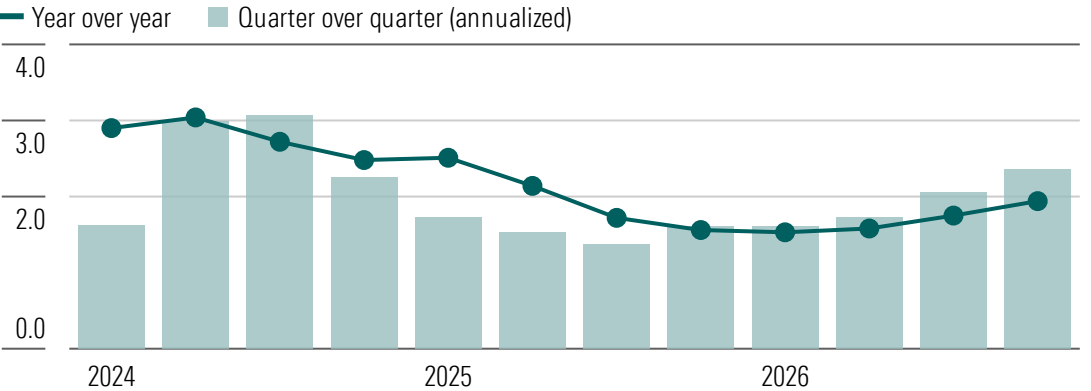
We expect growth to slow over the next two years, with the year-over-year growth rate troughing at 1.5% in the first quarter of 2026. Even with the Fed's cutting, longer-term interest rates have hardly fallen compared with average levels over 2023-24. The strain of high interest rates is still weighing on the economy. Most importantly, consumers looked overstretched, given low saving rates.

With that said, there's plenty of uncertainty surrounding the timing and magnitude of an eventual slowdown in GDP growth. Elevated asset prices could support a fast rate of growth, while a sharp drop in asset prices could cause GDP growth to decelerate much faster than we expect.

Real GDP by Expenditure, % Quarter-Over-Quarter Growth (Annualized)



GDP Growth, Quarterly Forecast



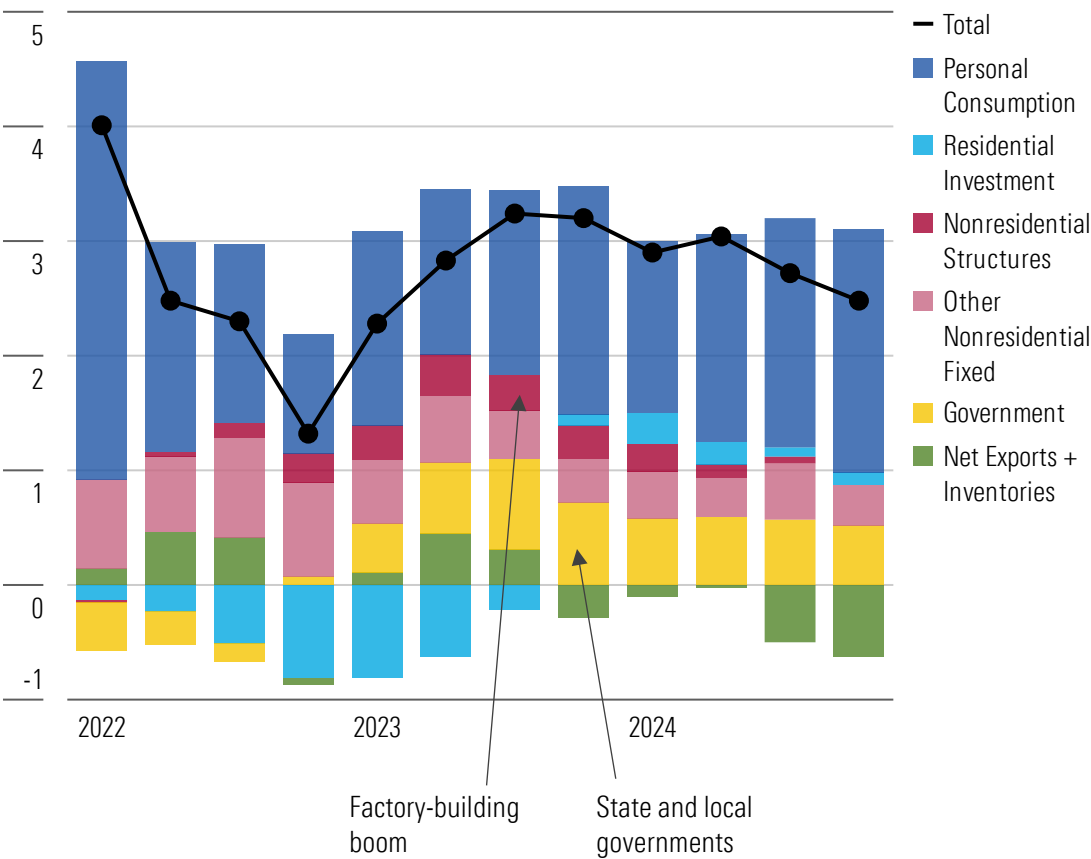
# GDP Growth Has Become More Dependent on Consumption

GDP growth trended down in 2022 as consumers pulled back and residential investment contracted owing to high interest rates. In 2023, consumption growth rebounded, while two other key factors helped to push growth higher: Nonresidential structures investment was propelled higher by a factory-building boom, and state and local government spending accelerated as surpluses accumulated during the pandemic were spent down.

Those two factors moderated only slightly in 2024. At the same time, consumption growth strengthened further in 2024, with an absence of upward pressure on the household saving rate that we had seen in 2022. Housing has also rebounded after dragging on growth in 2023.

As of the fourth quarter of 2024, personal consumption was up 3.2% year over year, contributing 2.1 percentage points (85%) of the 2.5% year-over-year growth in total real GDP. The contribution from government spending (0.6 percentage point) and residential investment (0.2 percentage point) is likely to fade in 2025, although the drag from net exports and inventories will probably lessen.

Real GDP by Expenditure, % Growth Year Over Year



# Supply-Side Expansion Helps Explain Resilient GDP and Falling Inflation

## Productivity and Labor Supply Expanding Robustly

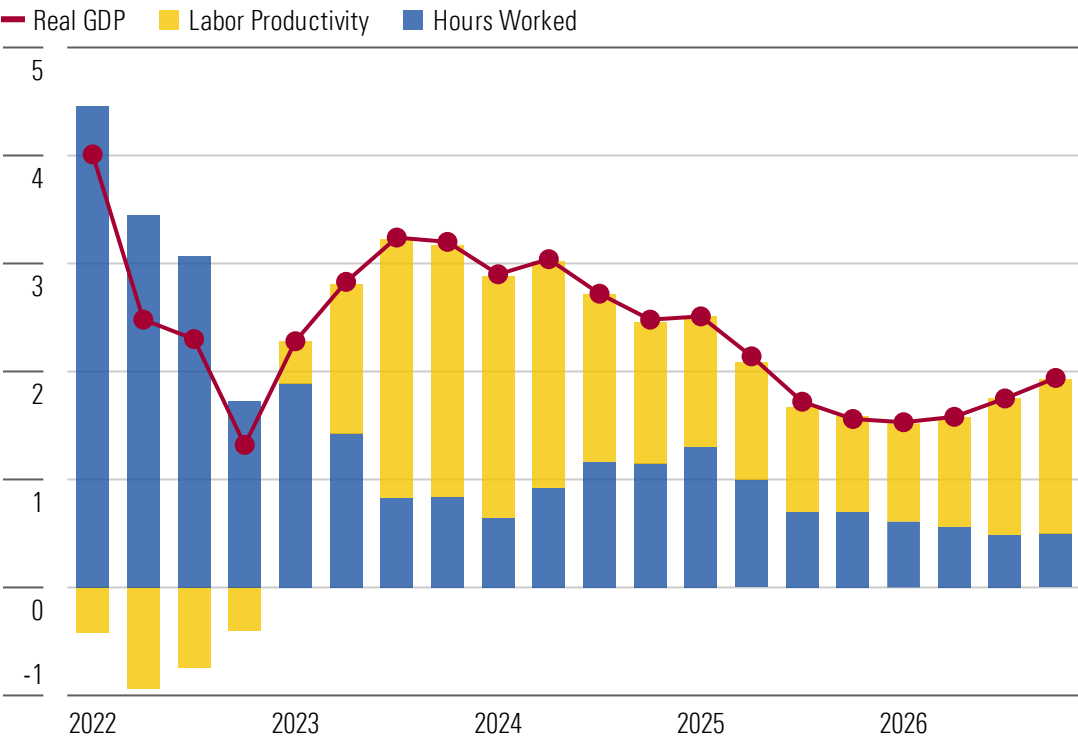
A surge of aggregate supply helps explain the paradox of fast real GDP growth despite tight monetary policy and why that fast growth has not stood in the way of falling inflation.

First, productivity has expanded at a fast rate since mid-2023. For 2024 on average, real GDP growth was 2.8% and labor input (total hours worked) grew by 1.0%, which translates into productivity growth (output per hour worked) of 1.8%. That’s far higher than the prepandemic average of 1.0% over 2010-19. The jump in productivity partly reflects the resolution of temporary supply chain issues (rebounding from the productivity dip in 2022). However, a general effort to streamline operations by adopting new technology and methods is also at play, driven by abundant demand and tighter labor markets than most of the 2010s.

Second, an influx of labor supply (driven heavily by immigration) has helped put labor markets back into balance, after the extreme tightness of 2021 through early 2022.

In our view, productivity is capable of persistent growth at around 1.5%, and labor supply can comfortably grow around 1%-1.5% in the next couple of years, making for potential GDP growth of around 2.5%-3% in the next couple of years. Thus, if the Fed can steer real GDP growth slightly below that, it should create a modest amount of slack in the economy, ensuring that inflation returns to 2% even without a recession.

GDP by Supply-Side Factor, % Growth Year Over Year



# Consumer Spending

Low saving rate will be cause for pullback.

# Consumption Held Up Well in Fourth Quarter of 2024 but May Have Dropped Sharply in January 2025

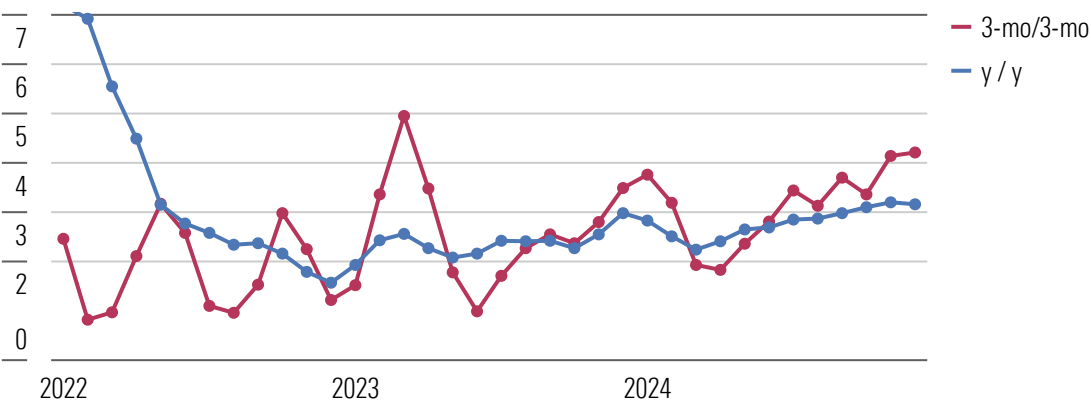
## Consumption Growth to Slow to 1.7% by 2026 From 2.8% in 2024

Thanks to strong holiday sales, consumption grew 4.2% annualized in the fourth quarter of 2024, or 3.2% year over year. Consumption growth has trended up from 2.2% year over year in the first quarter of 2024. That uptrend is due mainly to goods spending accelerating from 1.3% to 3.5% year over year from the first to fourth quarter. Durable goods consumption was up 5.7% year over year in the fourth quarter.

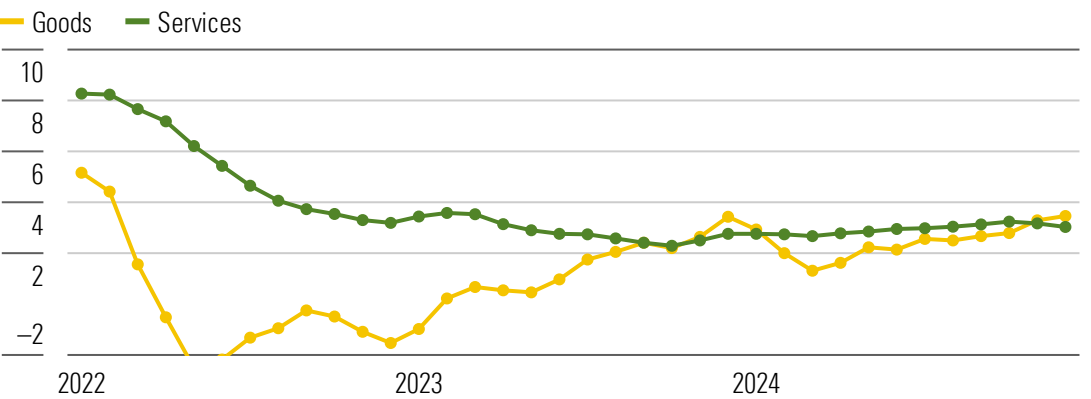
Retail sales data for January suggests that real personal consumption could have dropped around 1.0% (not annualized) in the month. That could push first-quarter 2025 consumption growth to the 1%-2% (quarter over quarter annualized) range. That could be a signal that overextended consumers are finally beginning to cut back, although we'd need more data to confirm that, given the frequent transitory swings in the data.

After 2.5% growth in 2023 and 2.8% in 2024, we expect growth in real personal consumption to decelerate to 2.2% in 2025 and 1.7% in 2026. We believe consumers will pull back slightly with the goal of pushing saving rates closer to prepandemic levels.

Real Personal Consumption, % Growth (Annualized)



Goods Versus Services Consumption, % Growth Year Over Year



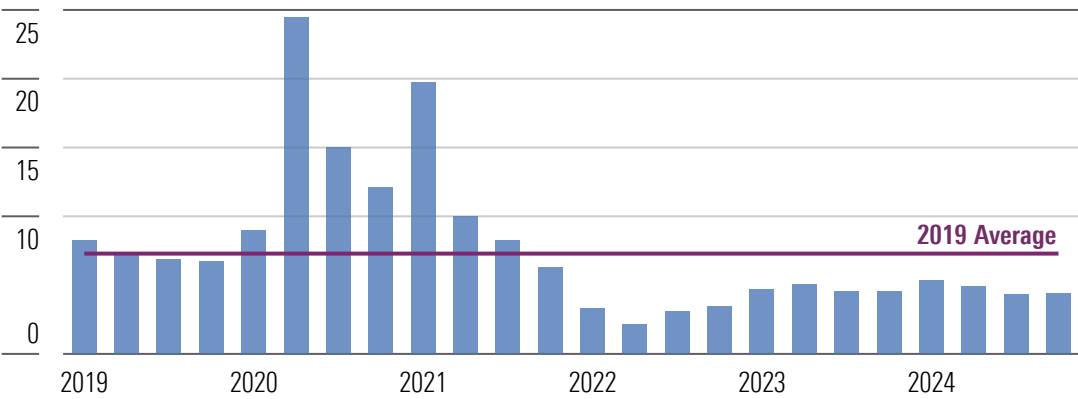
# Exhaustion of Excess Savings Will Push Households to Cut Back on Spending

## Low Saving Rate Explained by Asset Prices, Excess Savings

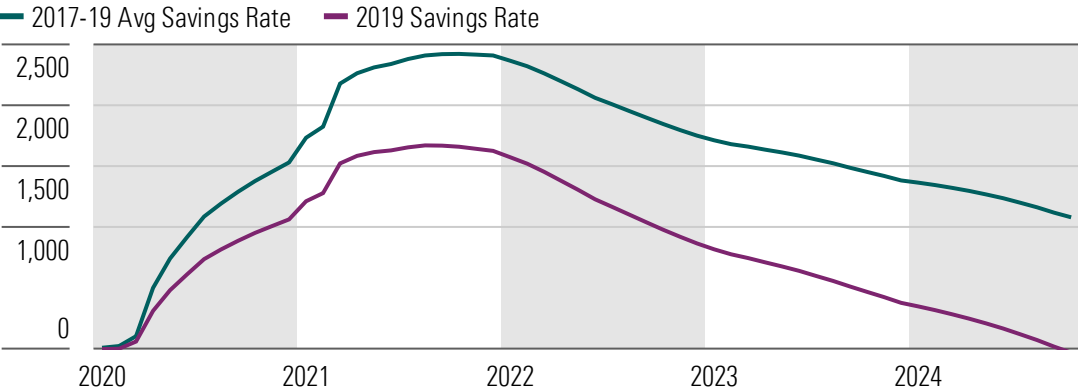
The personal saving rate was a paltry 4.1% in the fourth quarter of 2024, 3.2 percentage points below the 2019 average of 7.3% and 2.4 points below the 2017-19 average of 6.5%.

The biggest contributor to the depressed saving rate may be the remaining stockpile of excess savings. The estimated amount of excess savings depends on which baseline saving rate you use. Using the 2019 saving rate, excess savings are entirely gone; using the 2017-19 average rate, households still have another two years left. It’s also quite likely that remaining excess savings are heavily concentrated in higher-income households. Rising credit card and auto loan delinquencies also point to stress at the lower end of the income distribution.

Personal Saving Rate (%)



Estimates of Excess Savings, \$ Billion



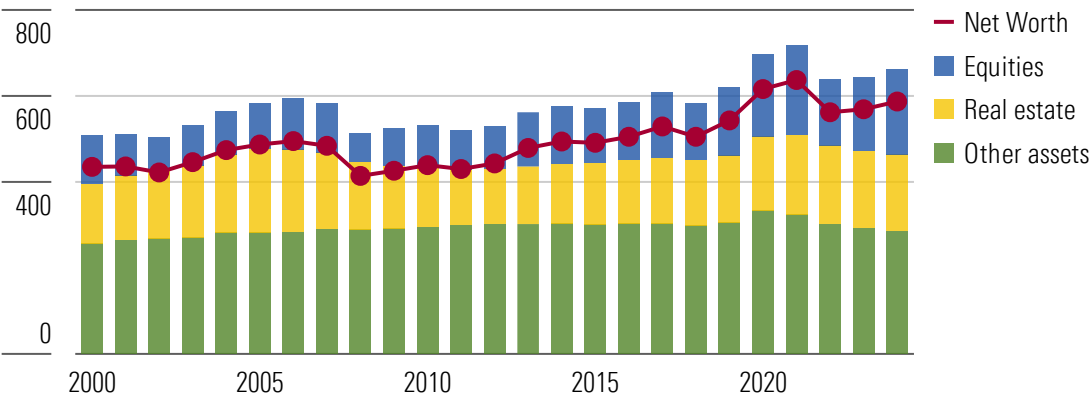
# High Asset Prices Partly Explain Low Saving Rate via Wealth Effect

With equity prices soaring 24% in 2024 and home prices up a decent 4%, household net worth climbed higher in 2024. We estimate household net worth stood at 595% of GDP at the end of 2024, up from 569% at the end of 2023 and up markedly from 543% as of the end of 2019, before the pandemic.

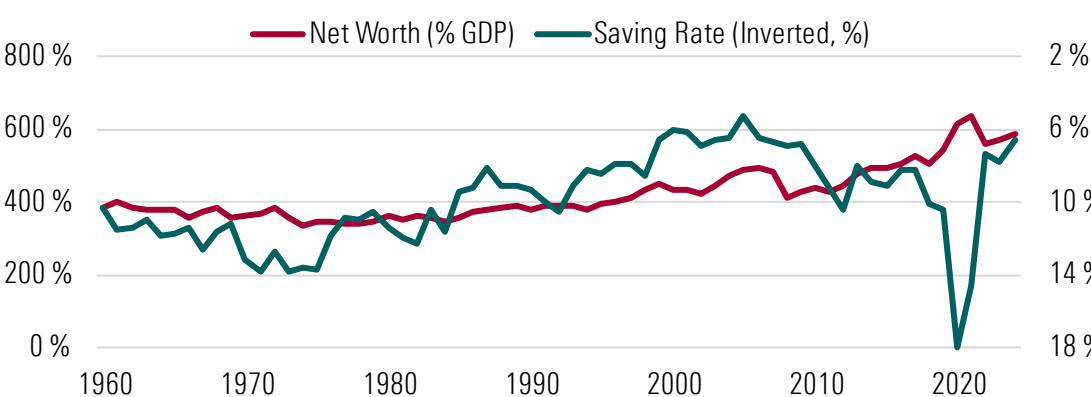
Historically, higher household net worth has been associated with a lower saving rate. A plausible causal channel is that higher wealth leads households to try to pull consumption forward in time, generating a lower saving rate. Based on a historical regression, the cumulative increase in household net worth since 2019 explains about 1.2 percentage points of the drop in the saving rate, or about one third of the total deviation compared with the 2019 average saving rate.

Basic financial theory would suggest that the higher risk-free interest rate generated by Fed monetary tightening should lead to lower asset prices. The strengthening in asset prices since 2022 has served as a major offset to the Fed’s rate hikes. So far, higher asset prices appear to be mainly affecting the economy via consumption, with investment spending showing a more muted response.

Household Assets and Net Worth (% GDP)



Household Wealth and Saving Rate



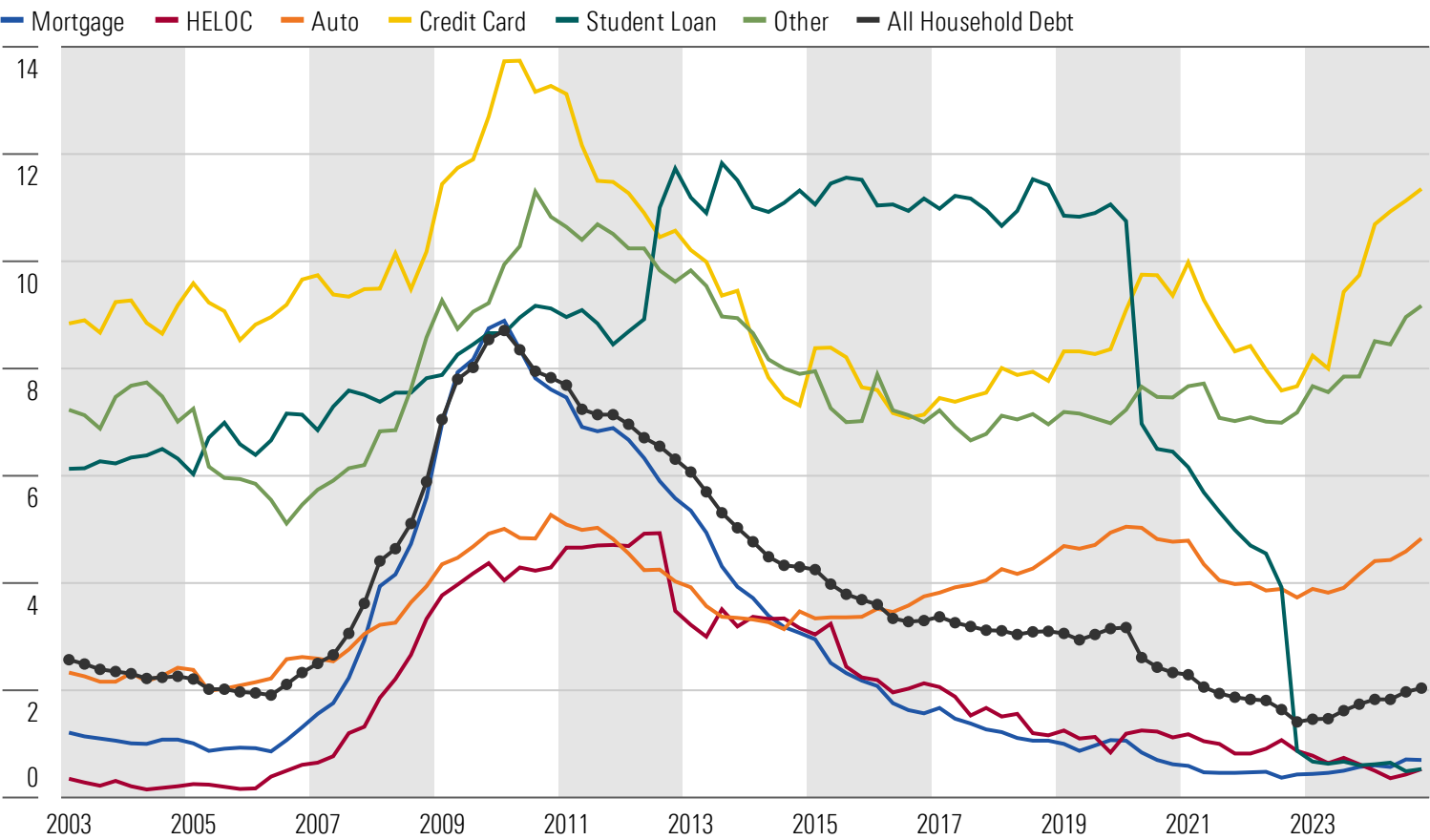


# Delinquencies on Household Debt Continue to Rise

The delinquency rate on all household debt is still below prepandemic levels. This is driven greatly by student loans, where borrowers benefited from a three-year moratorium, which ended in October 2023, and other relief programs. Mortgage delinquencies are still slightly below prepandemic levels, with a large share of borrowers having locked into low rates during the pandemic.

However, forms of borrowing more sensitive to market interest rates have shown a worrying rise in delinquencies. Auto loan delinquencies have climbed about 1 percentage point in the past two years and now stand in line with prepandemic levels. Credit card delinquencies are now about 3 percentage points above prepandemic levels.

Household Debt: Percentage of Loan Balance 90-Plus Days Delinquent



Source: New York Fed Consumer Credit Panel/Equifax, Morningstar.

See Important Disclosures at the end of this report.

# Investment

AI starting to have impact, but still modest compared with prior booms.

# Private Fixed Investment Likely to Decelerate in 2025-26 Under Strain of Higher Rates

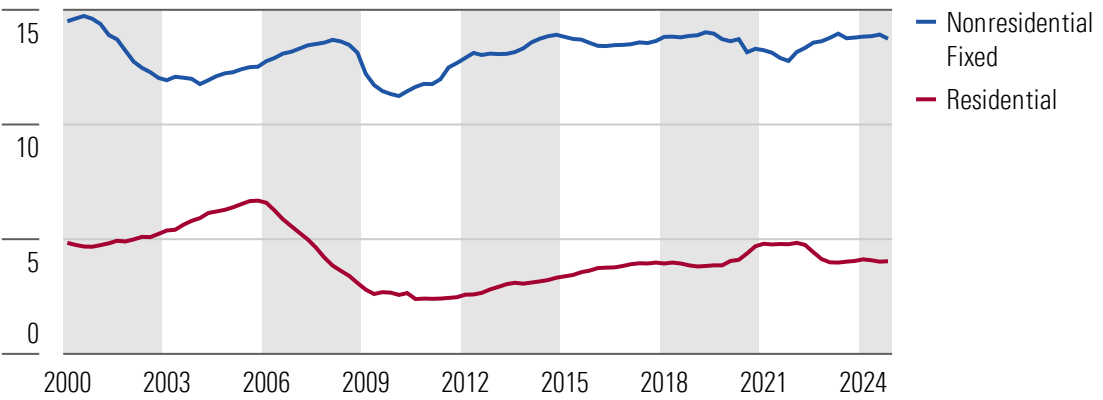
## Residential Investment to Dip to Negative 2% in 2025

Ordinarily, investment spending is a major amplifier of booms and busts in the archetypal business cycle — it certainly played that role in the two recessions preceding the pandemic. However, elevated interest rates have had only a limited effect in inhibiting investment spending, which as a share of GDP is about in line with prepandemic levels.

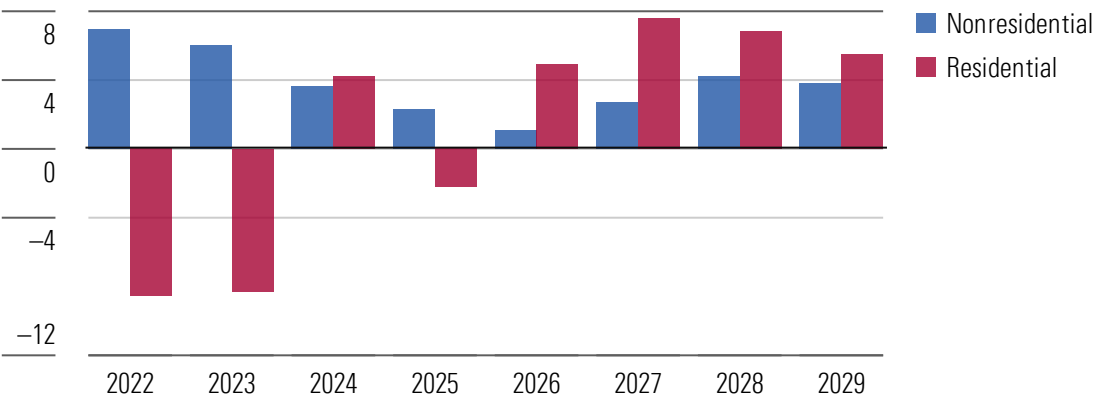
In a typical US business cycle, falling residential investment is the key initiator of the downturn. Real residential investment did drop a cumulative 17% over 2022-23 after booming 19% over 2020-21, but this merely leaves residential investment as a share of GDP in line with the prepandemic level. Nonresidential fixed investment grew strongly over 2022-23 (averaging 6.5%), owing to postpandemic catchup, and increased a decent 3.7% in 2024.

We expect residential investment to dip back into negative growth in 2025, owing to persistently high mortgage rates, before rebounding in 2026 and beyond on lower rates. We expect nonresidential fixed investment growth of 2.3% in 2025 and 1.1% in 2026, as businesses respond to slower economic growth by curbing investment, weakness in commercial real estate continues to play out, and the factory-building boom wraps up.

Private Fixed Investment, % Share of GDP



Real Private Fixed Investment, % Growth



# AI Hype Isn't (Yet) Driving Massive Growth in Business Investment

## Tech-Related Investment Only Moderately Above Prepandemic Level

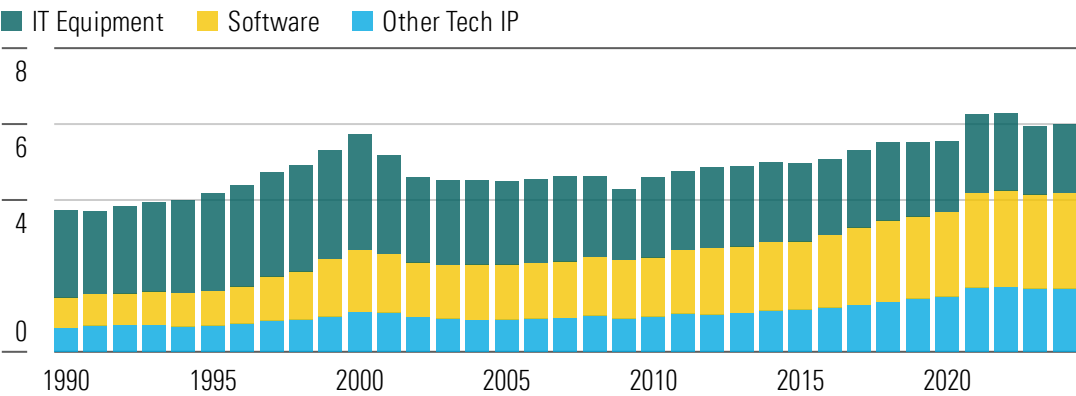
Total fixed investment in tech-related categories (computers and IT equipment, software, and other tech-related intellectual property) amounted to about 6.0% of GDP in 2024, moderately above the 2019 level of 5.5%. Tech-related investment has surpassed the peak reached at the end of the 1990s dot-com bubble. But this has been a gradual uptrend starting in the late 2000s, appearing less like a reckless bubble. AI-related capital spending in the US amounted to perhaps \$100 billion-\$200 billion in 2024, or 0.4%-0.7% of US GDP, a significant sum but falling far short of the macroeconomic impact of the dot-com bubble.

## Commercial Real Estate Weakness to Weigh on Structures Investment

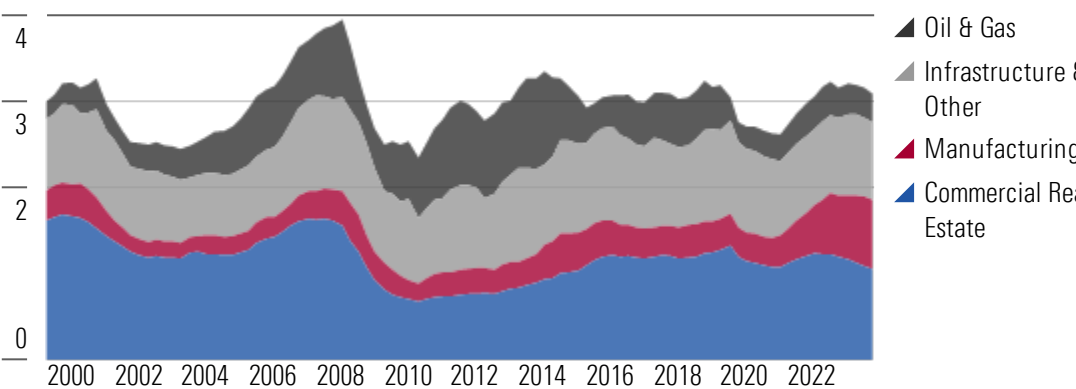
Total spending on commercial real estate structures stood at 1.0% of GDP in the fourth quarter, down a little over 0.1 percentage point compared with a year ago. We expect further reduction in commercial real estate construction, particularly office construction, which is about 0.3% of GDP.

Spending on manufacturing structures has exploded to 0.8% of GDP, up from 0.4% as of 2019 and its highest level since 1981. This has been driven primarily by clean energy (namely batteries) and semiconductors. However, the factory-building boom is plateauing in impact and will likely ramp down in 2025 and 2026 as projects near completion.

## Nonresidential Fixed Investment in Tech-Related Categories, % GDP



## Nonresidential Structures Investment, % Share of GDP

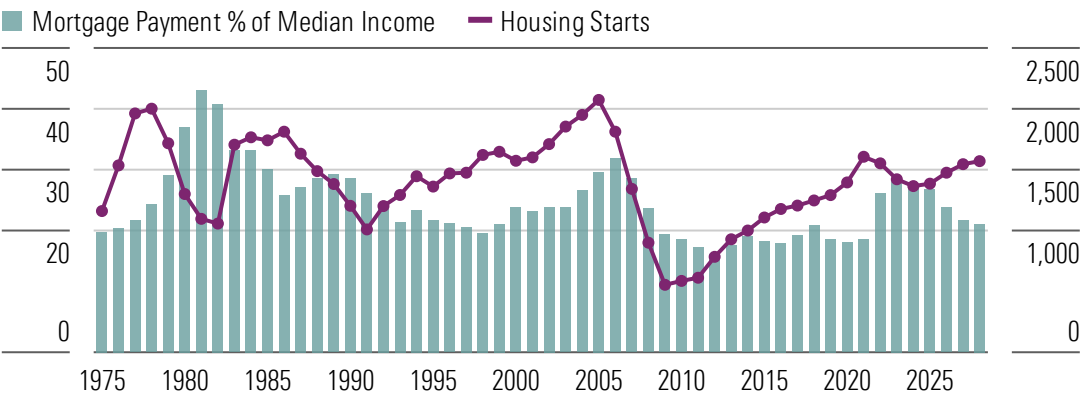


# Large Drop in Mortgage Rates Needed for Lasting Housing Recovery

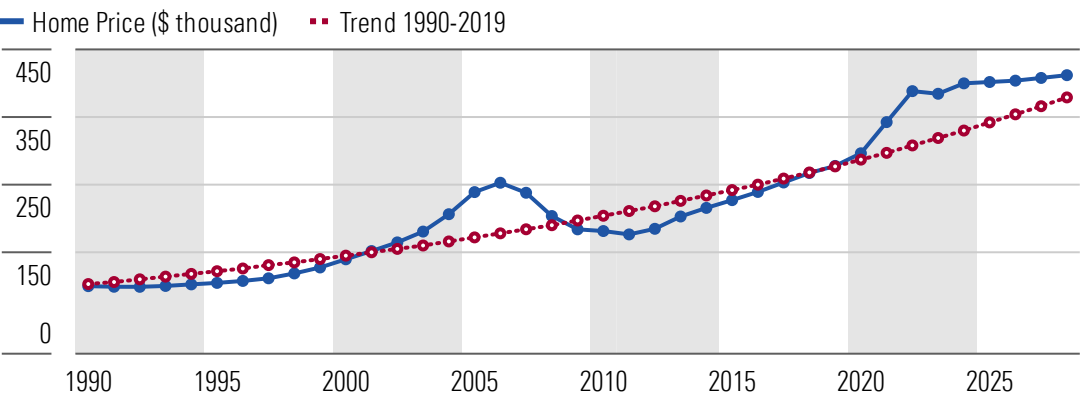
Housing starts in 2024 were 12% below the recent peak in 2022 but still 6% above the 2019 level. Given the massive deterioration in housing affordability, we might expect housing demand and activity to be much weaker. Mortgage rates averaged a lofty 6.8% in 2023 and 6.7% in 2024 and stand at 6.9% as of February 20, versus 3.9% in 2019. The cumulative 40% runup in housing prices since the start of the pandemic has also exceeded income growth. The median mortgage payment as a share of household income has risen from 19% in 2019 to 28% as of 2024—the highest since the housing boom peak in 2005-07.

Current homebuyers seem to be mostly placated by the hope of refinancing on an eventual drop in mortgage rates. Mortgage rates will have to fall drastically to justify those hopes—and justify very elevated home prices. If the Fed does not drive down mortgage rates as we expect, then another leg down for housing prices and activity is very likely, in our view. Even with monetary easing, we expect tepid home price growth averaging about 1% over 2025-28. That will combine with lower mortgage rates to ease housing affordability and push price/rent ratios almost back to prepandemic levels.

Housing Affordability vs. Housing Starts



Housing Price Forecast



# Labor

Recent data stronger than expected, but slowdown still coming.

# Job Growth Is No Longer Trending Down

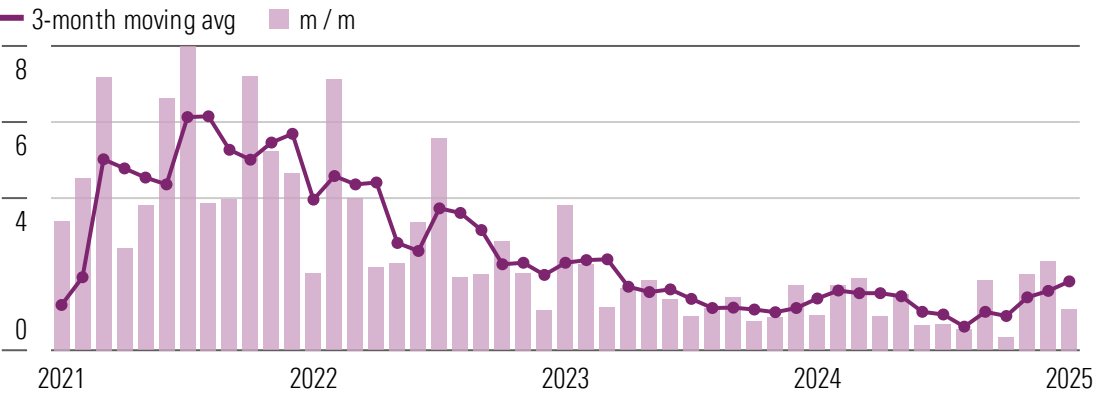
## Employment Up 1.3% Year Over Year as of January 2025

With the February 2025 jobs data came the annual benchmark revisions to historical estimates of nonfarm payroll employment. The employment level as of December 2024 was reduced by 0.4% compared with previous estimates. This was a slightly smaller revision than we had anticipated. Moreover, the latest data showed that the three-month growth rate in nonfarm employment rose to 1.8% as of January 2025, an acceleration from 1.2% in the first nine months of 2024. The year-over-year growth rate stands at 1.3%, holding about steady since mid-2024. While it’s probably premature to say that employment growth is reaccelerating, we can say that it’s no longer decelerating.

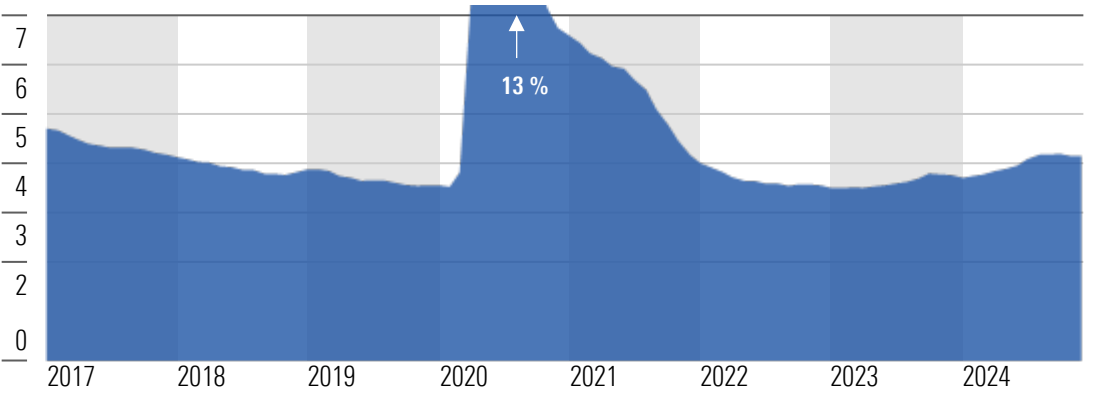
The revised data now shows that white-collar employment (including professional and business services, management and administration, and information industry groups) was in a contractionary phase, falling a cumulative 0.8% from May 2023 to October 2024. Since October, employment in these categories has bounced back by 0.3%.

Commensurate with steady employment growth, the three-month average unemployment rate stood at 4.1% as of January 2025, about the level it’s maintained since August 2024. This follows a 0.5-point increase from August 2023 to August 2024, which sparked some recessionary fears.

## Nonfarm Payroll Employment, % Growth (Annualized)



## Unemployment Rate, % Three-Month Moving Average



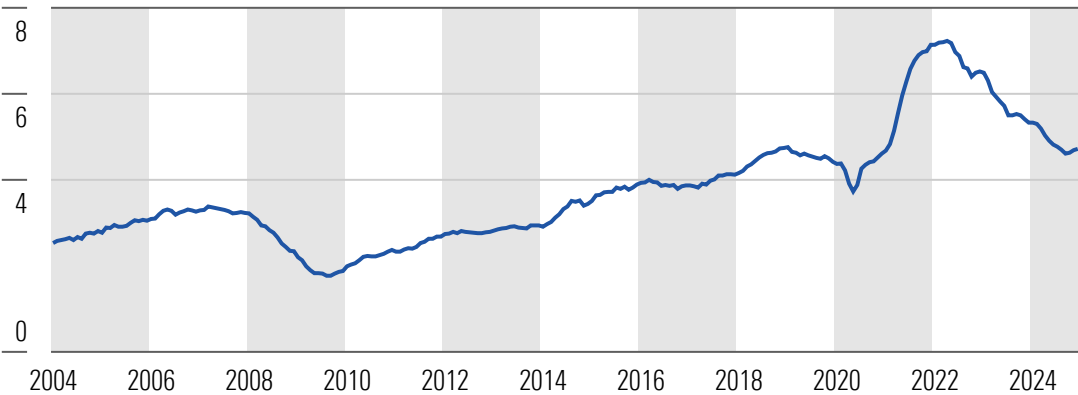
# Excesses of Postpandemic Labor Market Have Dissipated

## Job Openings Rate Is Back to Normal

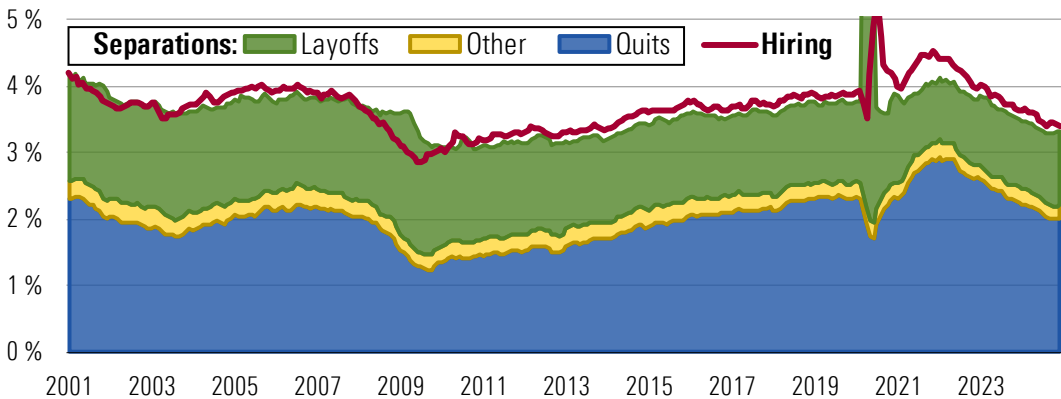
The job openings rate has averaged 4.7% in the past three months, almost in line with the 2019 average of 4.5%. That marks a hefty drop compared with the recent peak of 7.3% in April 2022, which was the highest rate since the data began in 2001. This is another indicator that labor market excesses have been corrected. In contrast to many economists’ predictions, the job openings rate returned to normal without a massive uptick in unemployment.

It is true that labor demand has dropped considerably. The gross hiring rate has averaged 3.4% in the past three months. That’s down from a peak of 4.5% in late 2021 and the 2019 average of 3.9% and is only modestly above the 2009 low of 3.0%. The fall in gross hiring has mostly translated into a fall in quits rather than a fall in net hiring, as the frantic job hopping of 2021-22 has disappeared. Also, the layoff rate remains quite low at 1.1% in the past three months, below the 2019 average of 1.2%. For now, firms seem eager to hoard labor after experiencing the labor shortages of 2021-22, but a modest uptick in layoffs could easily wipe out the pace of net job gains.

Job Openings Rate (3-Month Average)



Gross Hiring and Separations (% of Employment)





# Falling GDP Growth and Limited Room to Cut Hours Should Push Job Growth Lower Through 2026

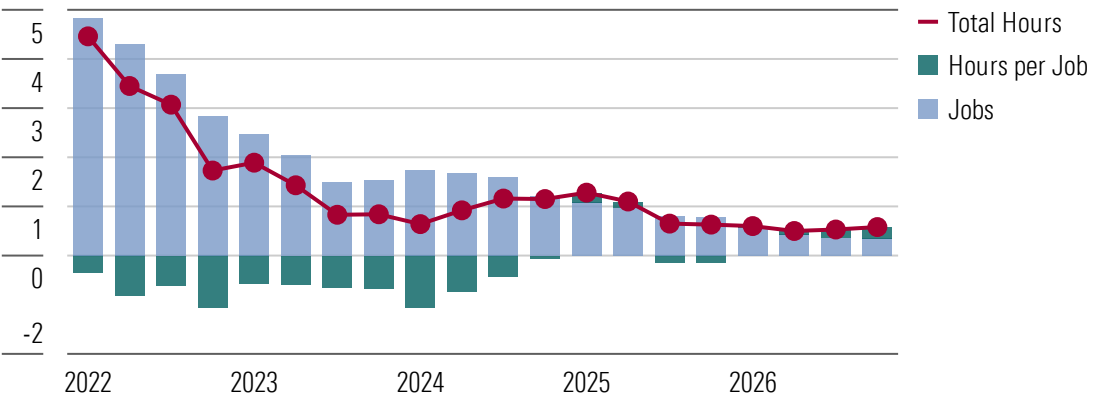
## Employment Growth to Dip Below Normal by Second Half of 2025

Despite the brisk pace of GDP growth in 2024, growth in labor input has been restrained, as productivity growth has been high. For 2024 on average, total hours worked grew 1.0%, with 1.6% growth in jobs offset by a 0.6% drop in average weekly hours per job.

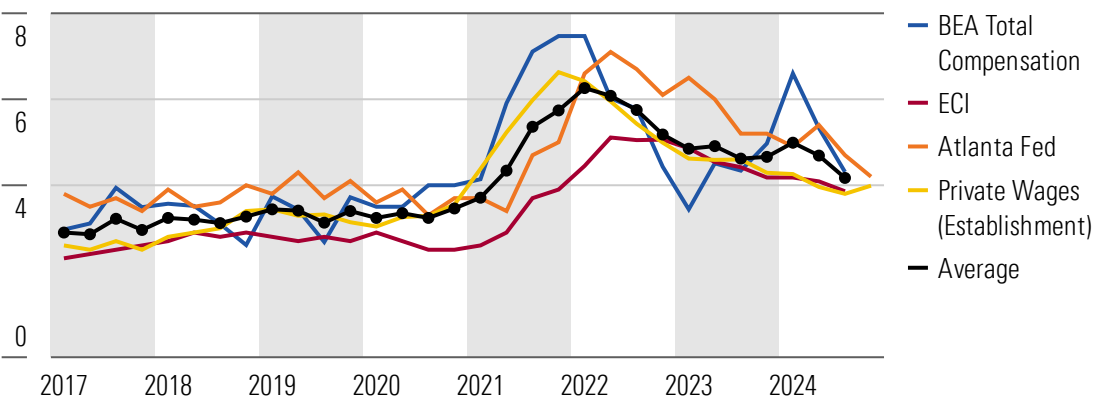
Over 2025-26, with our expectations of declining GDP growth, firms will need to maintain a subdued growth rate in total hours worked, lest labor costs cut into profits. Firms probably don't have much more room to cut hours, with average hours having decreased to historical lows. Thus, to abate growth in labor costs, firms will have to curb net hiring in 2025. We expect growth in nonfarm payroll employment to drop to 0.8% year over year by the fourth quarter of 2025 and 0.3% by the fourth quarter of 2026. Though still positive, that's well below a normal pace, and given the downward trend, it should set off alarm bells for the Fed to loosen monetary policy aggressively in 2025 and into 2026.

Our composite measure of wage growth dipped to 4.1% year over year as of the third quarter of 2024, down from an average of 4.7% in 2023 and a peak of 6.2% year over year in the first quarter of 2022. The current growth rate is not far from the 3.5% that would be consistent with 2% inflation. The further slowdown in job growth that we expect should be sufficient to bring wage growth fully back to normal.

Total Hours Worked, % Growth Year over Year



Wage Growth Measures, % Year Over Year

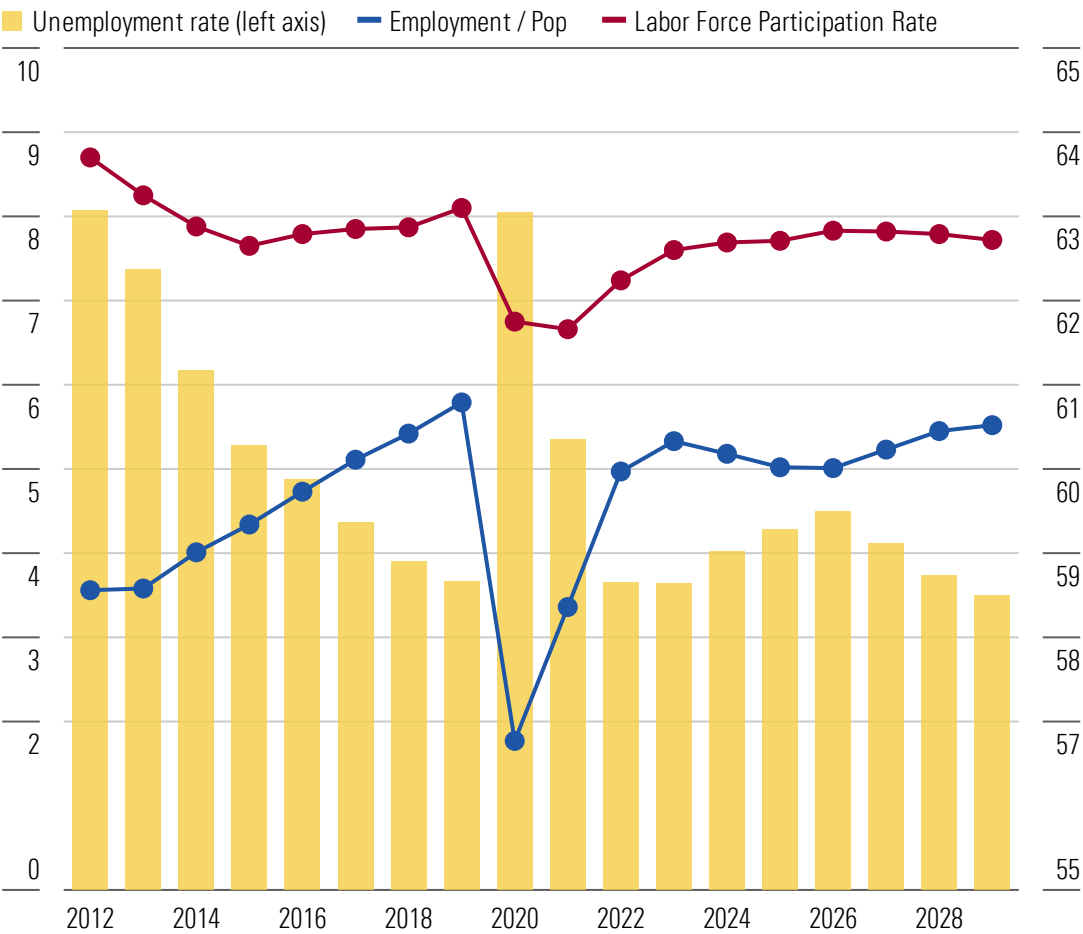


# Labor Market Weakness Ahead, Followed by Rebound When Economic Growth Restarts

With employment growth slowing, we expect the unemployment rate to rise to 4.3% on average in 2025 and 4.5% in 2026, up from an average of 3.6% in 2023 and an average of 4.0% in 2024. This would be quite mild compared with US economic slowdowns in recent decades, which is consistent with our expectation that the US will avoid a recession. Nonetheless, this cooling of the labor market should be sufficient to return wage growth to normal. Our unemployment forecast is slightly higher than consensus, which projects 4.2% in 2025-26 (Survey of Professional Forecasters).

We expect labor markets to recover as economic growth reaccelerates, with the unemployment rate hitting 3.5% (where it was before the pandemic) by 2029. We project a 2029 labor force participation rate of 62.7%, which is 170 basis points higher than the rate yielded by taking 2019 age-specific labor force participation rates and projecting forward with an aging population. Thus, our forecasts actually imply substantial labor force expansion. Our thesis was laid out in detail in our second-quarter 2021 [US Economic Outlook](#) (Page 18). As had been occurring over 2015-19, job availability is drawing formerly discouraged people back into the labor force. Furthermore, labor force participation rates should be boosted as new immigrants continue to be onboarded into the workforce. According to [research](#) drawing on BLS data, new cohorts of immigrants typically start with about a 50% labor force participation rate in the first year, but that typically rises well above 70% a few years afterward.

Labor Market Forecasts



Source: Bureau of Labor Statistics, Morningstar.

See Important Disclosures at the end of this report.

# Inflation

Inflation still normalizing, though tariffs would jeopardize that.

# Inflation Should Continue to Moderate as Housing and Other Categories Come Down

## Inflation to Average 2.0% Over 2025-29

After soaring to 6.6% in 2022 (the highest since 1981), inflation dropped to 3.8% in 2023 and 2.5% in 2024. We expect it to fall further, driven by lagged inflationary effects in housing wearing off, ongoing supply-side relief, and decelerating GDP growth. We project an average inflation rate of 2.0% over 2025-29, with 2025 at 2.2% and 2026 and 2027 dipping slightly below the Fed’s 2% target.

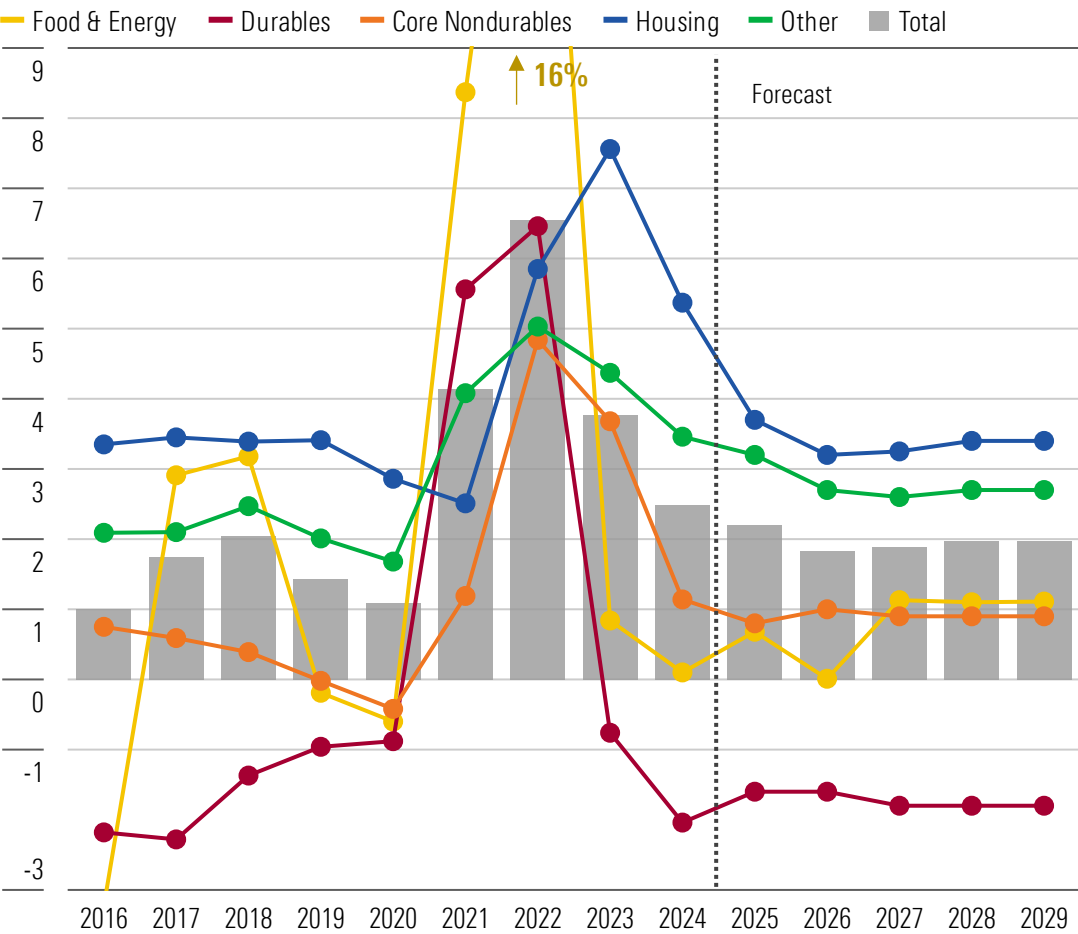
Housing inflation should drop considerably in 2025. Easing supply constraints should continue to exert downward pressure on durable goods<sup>1</sup> and other areas. The slowdown in GDP growth that we expect for 2025 and 2026 should add slack into the economy, helping to reduce inflation economywide. This effect will partly channel through the labor market, where we expect further cooling to slow wage growth.

Our forecasts incorporate the probability-weighted impact of higher tariffs, which push up the price level cumulatively by 0.2% over 2025-28. Full implementation of the tariffs would probably push the price level up by 1%-2%, but as discussed on Page 10, we assume a low probability that the tariffs are implemented and maintained for the next four years.

<sup>1</sup> Note that the BEA/BLS adjust for quality improvements, which means that durable goods inflation usually runs significantly below changes in unit prices.

PCE Inflation Forecast: Key Components (% Growth)

Other = core services excluding housing, aka “supercore”



# Inflation Proving a Little Stickier Than Expected, but Still Trending Down

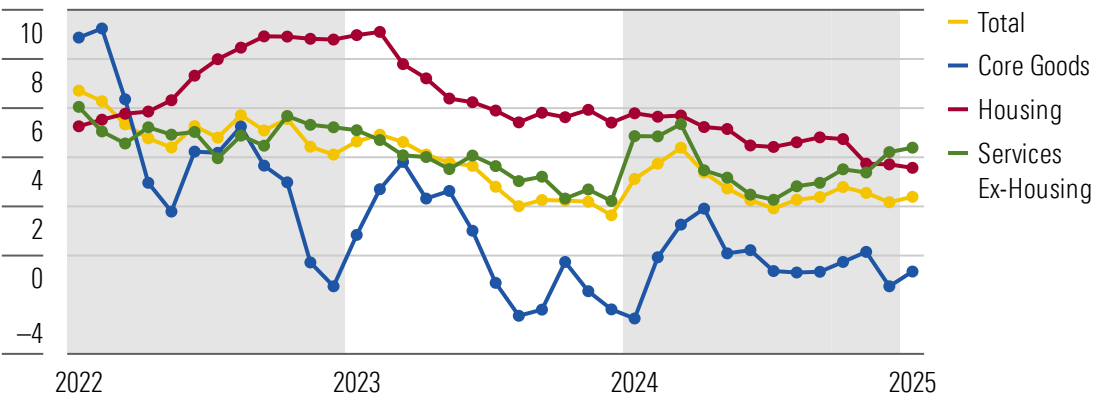
## PCE Inflation Likely to Be Far Less Worrying Than CPI in January

Core Consumer Price Index prices increased 0.45% month over month in January 2025, which is very worrying at first glance. However, the Personal Consumption Expenditures Price Index uses Producer Price Index source data rather than the CPI for several key components that showed high CPI inflation in January, such as motor vehicle insurance. The PPI data suggests that core PCE inflation is likely to be significantly lower at around 0.30%-0.35% in January (around 4% annualized). That’s less than the price jump we saw in January 2024, so the year-over-year growth rate in core PCE should drop to 2.6% in January 2025 from 2.8% as of December 2024.

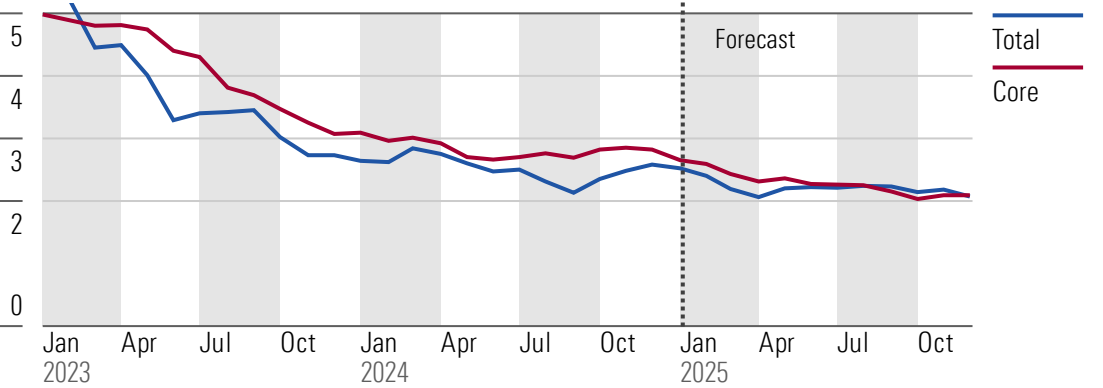
Core PCE prices will have likely risen around 2.4% annualized in the three months ended January, about in line with levels seen for most of 2024. In the latter half of 2024, housing inflation decelerated significantly, but inflation in core services excluding housing picked up steam.

Overall, inflation has proved a bit stickier than expected, but it’s still trending down, as evinced by the core PCE year-over-year measure. February through April 2024 saw an elevated rate of price growth, so if the same months this year show core inflation averaging a 2.0% annualized month-over-month rate, then core PCE year over year should drop to 2.3% by April. We expect it to slide to 2.0% by the fourth quarter of 2025.

Core PCE Components (Three-Month % Change, Annualized)



PCE Inflation Forecasts Monthly, % Growth Year over Year



# Housing Inflation Should Continue to Drop

## Market Rent Inflation Is Already Rapidly Decelerating

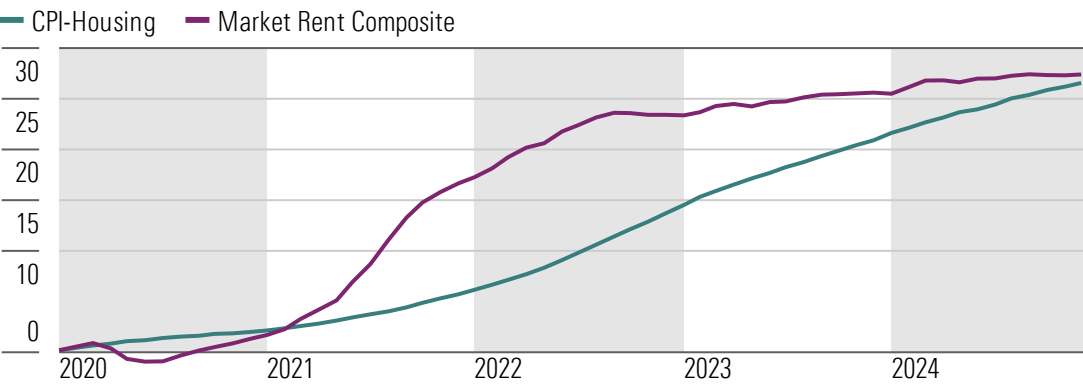
The housing component of the main price indexes (CPI and PCE) responds with a substantial lag concerning market conditions. Because of this lag and the runup in market rents over 2021-22, official housing inflation was still high in 2024 at 5.4%.<sup>1</sup> But market rent growth has decelerated sharply in response to falling housing demand and expanding supply, standing at about 1.4% year over year as of December 2024. The accumulated gap between market rents and the housing inflation index has almost closed. Housing inflation (three-month annualized growth) dropped to 3.7% as of January 2025. We expect it to drop further to 3.0% in the fourth quarter of 2025.

## Excess Core Services Inflation Spread Across All Components

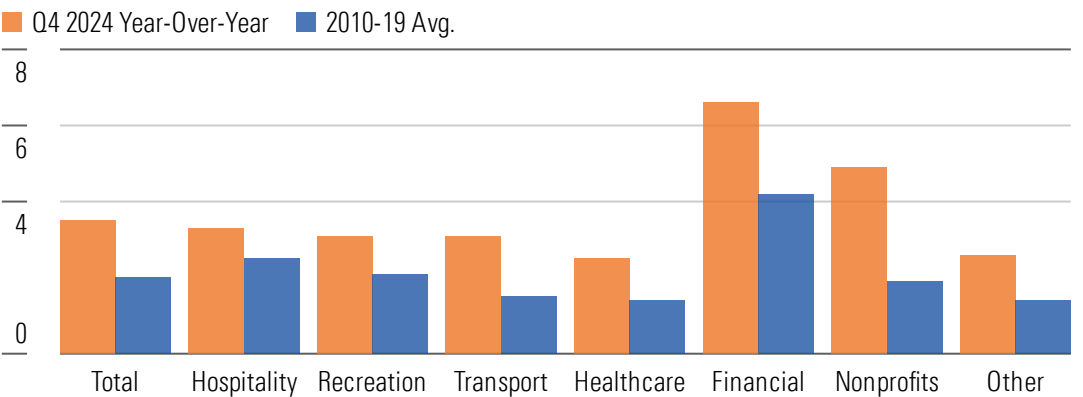
Core services inflation excluding housing was 3.5% year over year in the fourth quarter of 2024, still significantly above the 2010-19 average of 2.0%. Overall PCE inflation was 1.5% over 2010-19, so we should probably be shooting for core services excluding housing at around 2.5% to be consistent with 2.0% inflation. The remaining excess is spread among all the subcomponents, although financial services played an outside role in 2024, which shouldn't repeat in 2025 if asset prices grow at a more subdued pace. Further deceleration in wage growth should ensure that these services categories return to normal rates of inflation.

<sup>1</sup> Our market rent composite measure includes the Zillow Observed Rent Index, CoreLogic Single-Family Rent Index, and Apartment List rent indexes.

## Rent Inflation Measures, % Cumulative Change vs. January 2020



## Core Ex-Shelter Detail



# Housing Inflation Should Recede, Based on Leading-Edge Data

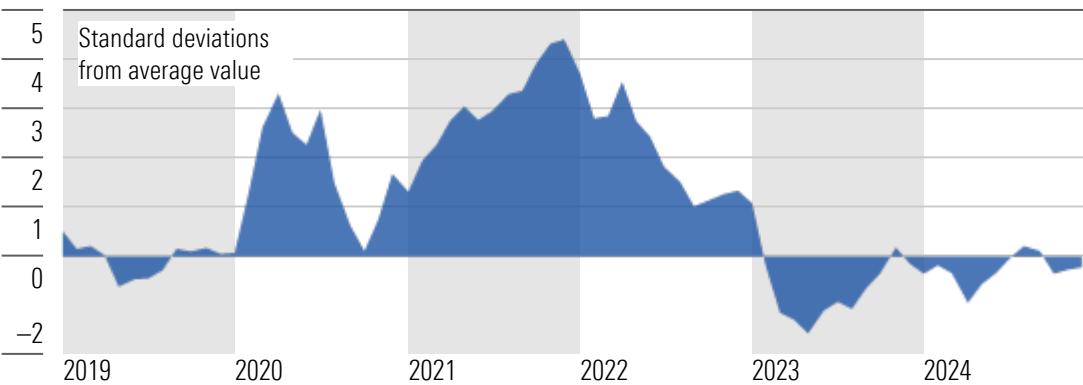
## Supply Chain Conditions Still Loose

The New York Fed's [Global Supply Chain Pressure Index](#) (which captures ocean shipping costs and delivery times, among other indicators) still shows supply chain conditions as loose as before the pandemic. Disruptions in the Red Sea and elsewhere (along with heightened shipping demand in anticipation of potential 2025 tariffs) have caused container freight rates to tick up, but it's not nearly as bad as the 2021-22 runup. Other types of freight costs or metrics like shipping backlogs show fairly loose supply chain conditions.

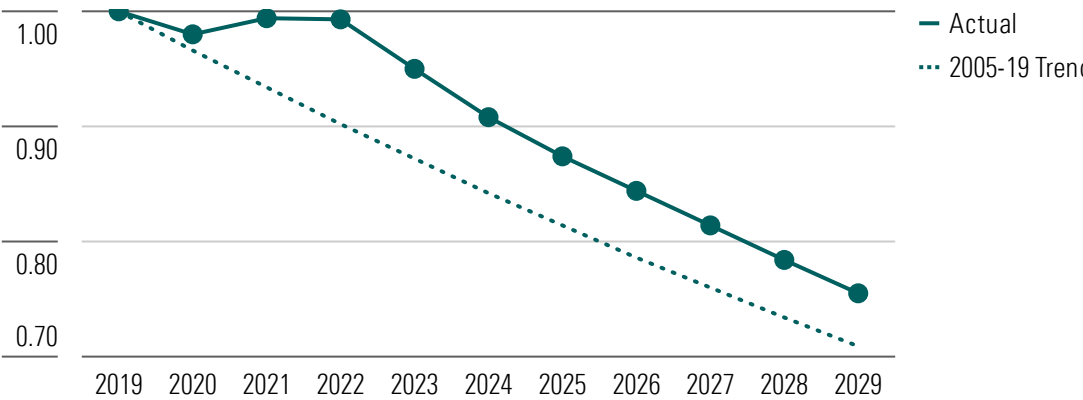
## Relative Goods Prices Still Elevated and Could Fall Further

The price in durables relative to the overall PCE Price Index is down a cumulative 9% over 2019-24, but this still exceeds by 8% the relative price that would've prevailed based on the 2005-19 trend. Over 2005-19, relative durables prices fell 3.4% per year. With supply chain issues being resolved, it's likely that there are cost savings that haven't been passed on to the customer yet. This should put further downward pressure on durable goods prices in coming years, offsetting the upward pressure from tariffs.

Global Supply Chain Pressure Index (New York Fed)



Durables Goods Relative Price vs. Trend (Indexed, 2019 = 1)



# Monetary, Fiscal, and Financial

We project more rate cuts than the market expects.



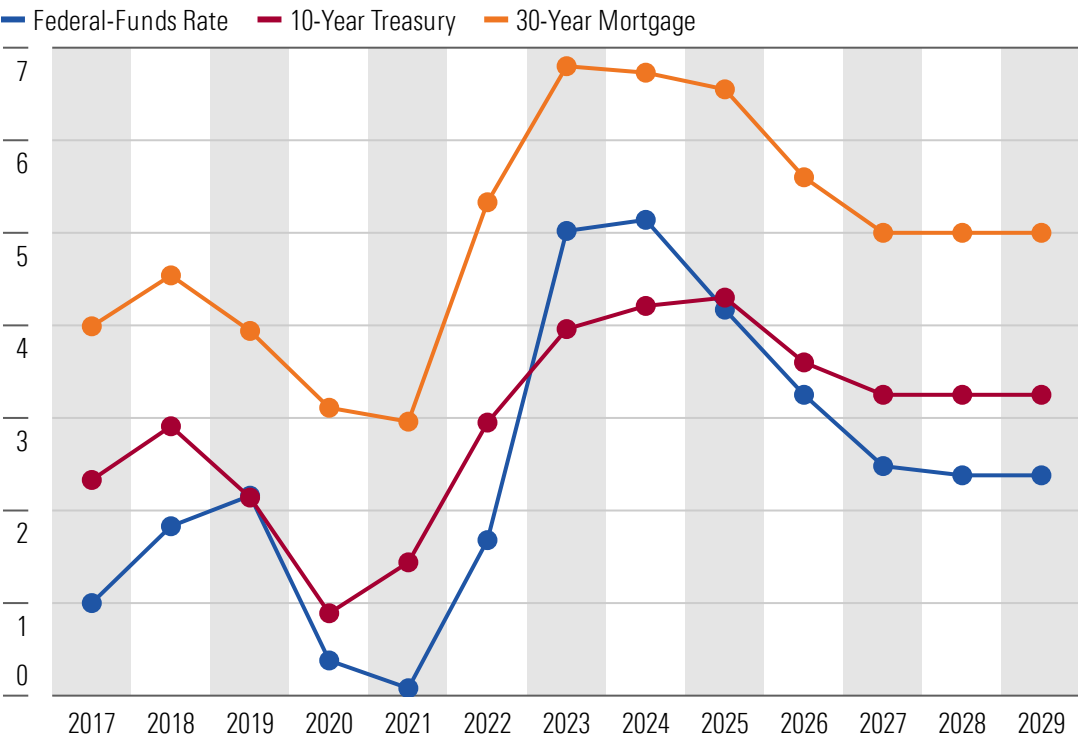
# Fed to Drive Interest Rates Lower in Order to Maintain Solid Economic Growth

## We Project 10-Year Treasury Yield of 3.25% in 2027 and Later Years

The federal-funds rate has been cut by 100 basis points since September 2024, but owing to diminished market expectations about future rate cuts, longer-term bond yields have actually increased since then. We now expect the 10-year Treasury yield to average 4.3% in 2025, slightly above the 4.2% in 2024. The Fed will have to cut much further to drive longer-term yields lower—we expect another 200 basis points of cuts through early 2027. This should drive the 10-year yield to an average 3.25% by 2027, which is our long-run expectation. In turn, this should drive the 30-year mortgage rate down from an average 6.7% in 2024 and 6.6% in 2025 to 5.00% by 2027.

While the path of interest rates over the next couple of years is mainly contingent on the cyclical status of the economy, our long-term interest-rate projections are driven by secular trends. Factors such as aging demographics, slowing productivity growth, and increasing inequality have acted to push down real interest rates for decades, and these forces haven't gone away. The low-interest-rate regime will resume once the dust settles from the pandemic economic volatility. Our long-term views and monetary policy framework are detailed in our [US Outlook for Interest Rates, Inflation, and Monetary Policy](#).

## Interest-Rate Forecasts (Annual Average)



(%)	2024	2025	2026	2027	2028	2029
Fed-Funds Rate	5.14	4.17	3.25	2.48	2.38	2.38
10-Year Treasury	4.21	4.30	3.60	3.25	3.25	3.25
30-Year Mortgage	6.73	6.55	5.60	5.00	5.00	5.00

# The Fed Has Much More Cutting to Do

## By 2027, Our Projections Are 150 Basis Points Below Market Expectations

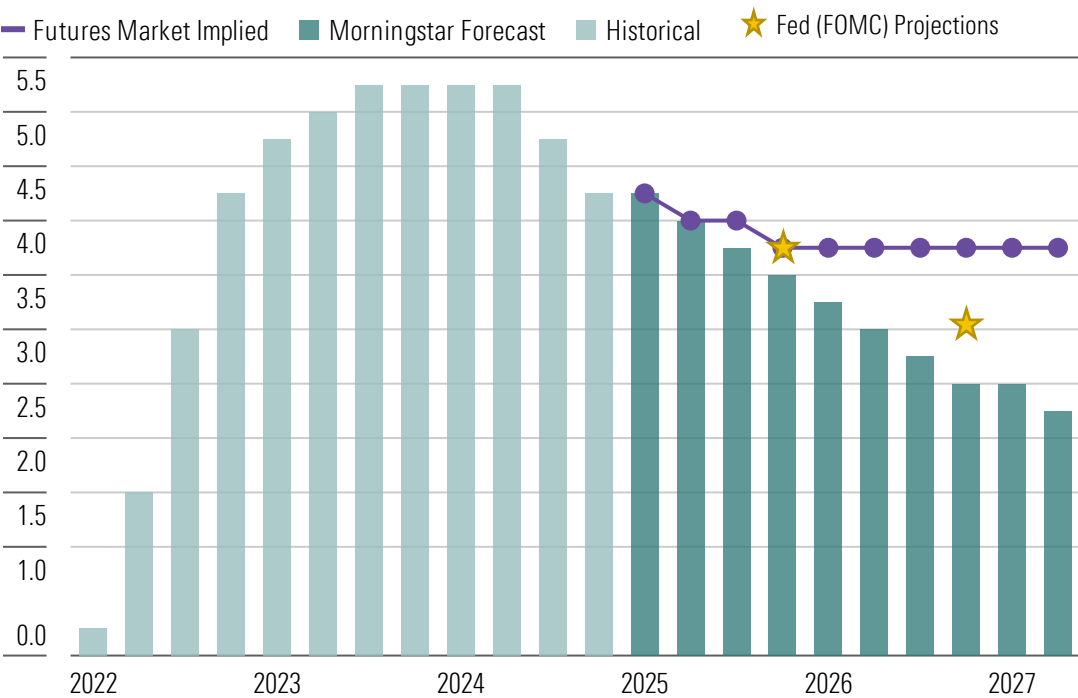
The federal-funds rate was at a lofty plateau of 5.25%-5.50% from July 2023 to September 2024. From September to December 2024, the Fed cut by 100 basis points, bringing the federal-funds rate down to a target range of 4.25%-4.50%. That’s still well above the prepandemic 2017-19 average of 1.7%.

The Fed refrained from cutting rates in its January 2025 meeting. Slightly sticky inflation along with policy uncertainty is likely to postpone the next rate cut until May. We expect three more rate cuts in 2025, bringing the year-end fed-funds rate to 3.50%-3.75%. We expect it to fall further to 2.25%-2.50% by the first half of 2027. Falling inflation along with slowing economic and job growth should induce much more cutting from the Fed.

Market expectations for the federal-funds rate path have shifted significantly since late September 2024, with expectations for the year-end 2025 fed-funds rate moving up by around 100 basis points. We think the market is projecting a terminal rate that’s too high, reflecting an overestimate of the natural rate of interest. We wrote about the dangers of keeping rates too high for too long in our 2024 [US Financial Health Report](#).

## Federal-Funds Rate Expectations, %

Bottom of Target Range



Federal-Funds Rate (%)				
Year-End, Bottom of Target Range		2025	2026	2027
Morningstar		3.50	2.50	2.25
Market-Implied		3.75	3.75	3.75
Fed (FOMC)		3.75	3.25	3.00

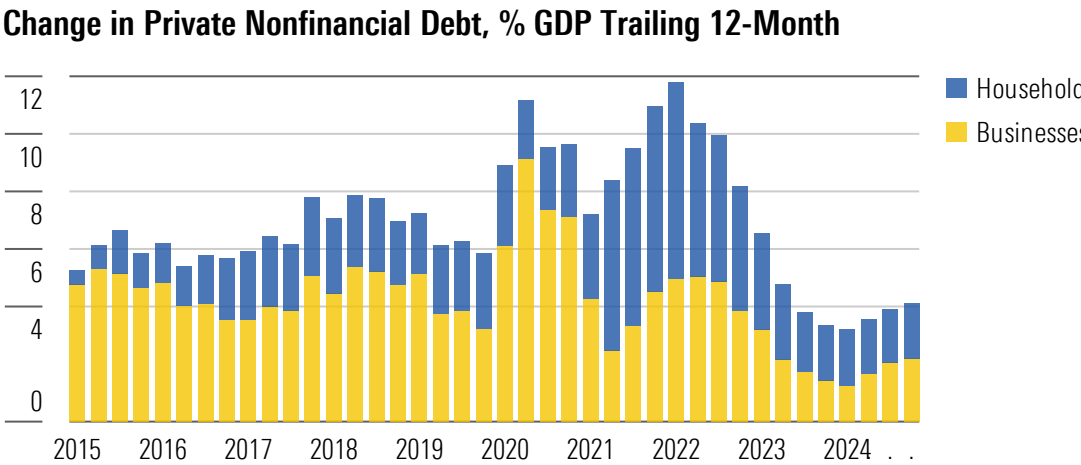
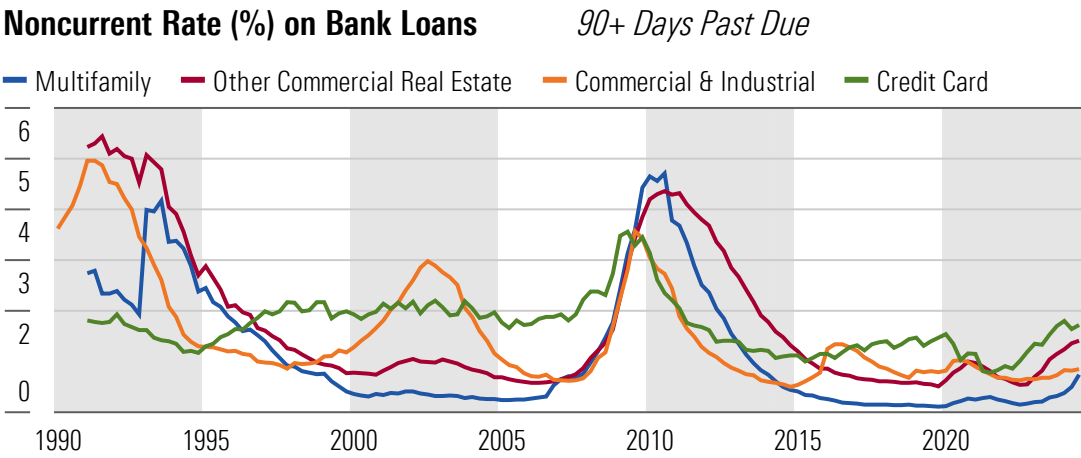
# Despite a Contraction in Credit Issuance, Financial Conditions Have Remained Benign

## Delinquency Rates Still Ticking Up

The noncurrent rate on banks’ commercial real estate loans has continued to rise quickly, reaching 1.4% in the third quarter of 2024. That’s well above the prepandemic (2019) average of 0.6%, though minor compared with major commercial real estate crashes like the early 1990s and 2008. The multifamily delinquency rate has increased to 0.7% from 0.1% in 2019. Further pain is likely in the office sector. [Rents have been stable](#) thus far despite soaring vacancies, but a wave of distressed asset sales could trigger a reset downward for rents. Property prices are still declining, leading to a rise in defaults and foreclosures. The interest burden on new loans is still very high compared with prepandemic interest rates.

## Credit Contraction Has Bottomed Out for Now

Credit issuance to the private nonfinancial sector decelerated sharply from a peak of 11.8% in the first quarter of 2022 to a low of 3.2% in the first quarter of 2024. Historically, we’ve never seen a credit contraction that large occur without a recession. This credit contraction is still somewhat worrying, but we have seen credit issuance rebound to around 4% as of the fourth quarter of 2024 (based on our estimates of preliminary data). Credit issuance has typically been a lagging indicator, so this may mean the economy has gotten off scot-free. Still, tightened availability of credit is a cause of pain in certain areas of the economy (like commercial real estate), which will likely drag on growth over 2025-26.



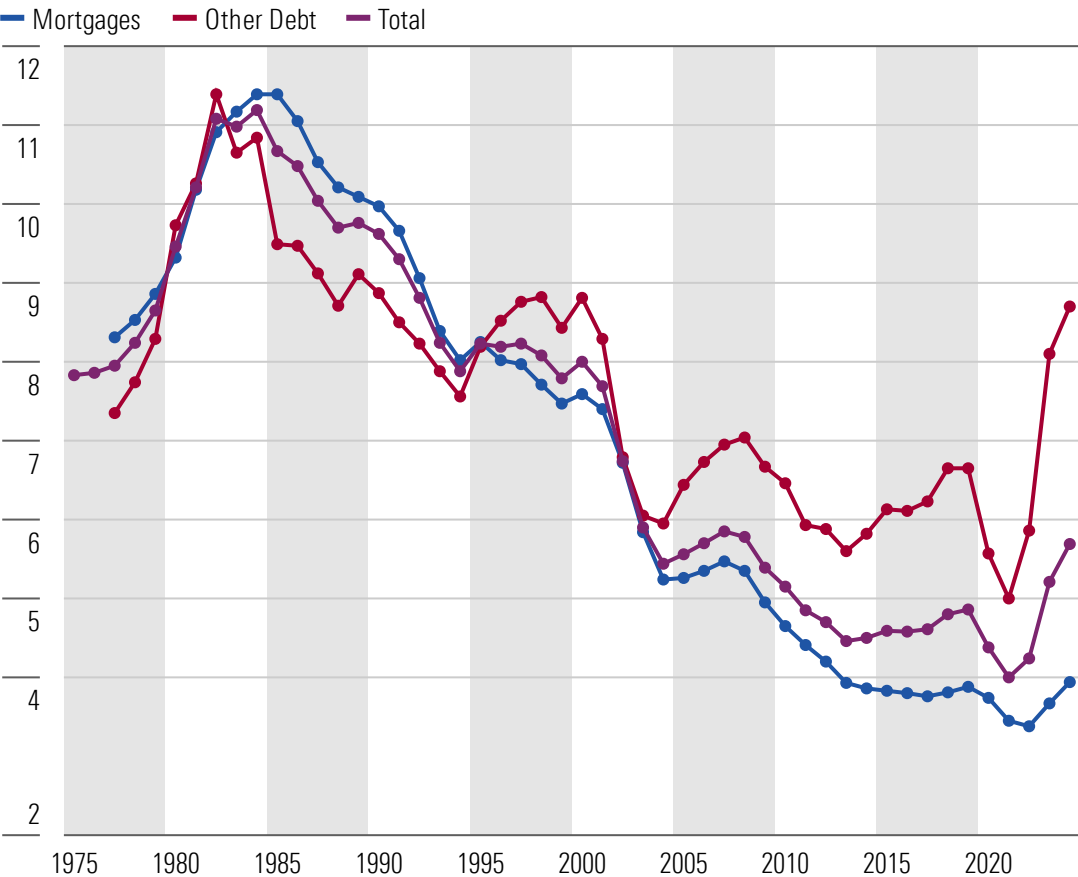
Source: Federal Reserve.

See Important Disclosures at the end of this report.

# Interest Burden Still Rising

We estimate that the average interest rate on household debt outstanding rose to 5.7% in 2024, significantly above the 2017-19 prepandemic average of 4.7%. It stands to rise much further if the Fed does no additional cutting of the federal-funds rate. This is especially the case for mortgages, where the average interest rate on all outstanding mortgages stood at 3.9%, hardly higher than the 3.8% prepandemic average and far lower than the 6.7% average rate on *new* 30-year mortgages in 2024. Most households have yet to roll over their mortgages to prevailing market rates.

Average Interest Rate on Household Debt Outstanding (%)



Source: Bureau of Economic Analysis, Federal Reserve.

See Important Disclosures at the end of this report.

# Appendix

Morningstar - US Economics Dashboard

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 E	2026 E	2027 E	2028 E	2029 E	CAGR:		
																			2014-19	2019-24	2024-29
U.S. Real GDP by Expenditure (% Growth)																					
Personal Consumption	1.4%	1.7%	2.8%	3.4%	2.5%	2.6%	2.7%	2.1%	-2.5%	8.8%	3.0%	2.5%	2.8%	2.2%	1.7%	2.1%	2.5%	2.2%	2.7%	2.9%	2.1%
Residential Investment	13.0%	12.7%	4.3%	10.6%	7.1%	4.3%	-0.7%	-0.9%	7.7%	10.9%	-8.6%	-8.3%	4.2%	-2.2%	4.9%	7.6%	6.9%	5.5%	4.0%	0.9%	4.5%
Business Investment	10.6%	6.2%	7.0%	5.0%	-2.1%	4.5%	7.6%	4.3%	-7.9%	7.6%	10.5%	3.2%	3.8%	2.3%	1.0%	3.4%	4.1%	3.7%	3.8%	3.2%	2.9%
Government Spending	-2.1%	-2.4%	-0.9%	2.0%	2.0%	0.6%	2.0%	3.9%	3.4%	-0.3%	-1.1%	3.9%	3.4%	1.2%	1.0%	1.2%	1.4%	1.4%	2.1%	1.8%	1.2%
Exports	4.0%	3.0%	3.9%	0.3%	0.5%	4.1%	2.9%	0.5%	-13.1%	6.5%	7.5%	2.8%	3.2%	2.5%	2.8%	2.8%	2.8%	2.5%	1.6%	1.1%	2.6%
Imports	2.4%	1.2%	5.2%	5.2%	1.5%	4.7%	4.0%	1.2%	-9.0%	14.7%	8.6%	-1.2%	5.4%	1.8%	1.8%	1.5%	1.5%	1.5%	3.3%	3.4%	1.6%
GDP Growth %	2.3%	2.1%	2.5%	2.9%	1.8%	2.5%	3.0%	2.6%	-2.2%	6.1%	2.5%	2.9%	2.8%	2.0%	1.7%	2.5%	2.9%	2.6%	2.6%	2.4%	2.3%
Nominal GDP - \$ Trillion														30.3	31.3	32.6	34.2	35.7	4.1%	6.3%	4.1%
% Growth	4.2%	3.9%	4.3%	3.9%	2.8%	4.3%	5.3%	4.3%	-0.9%	10.9%	9.8%	6.6%	5.3%	3.9%	3.3%	4.2%	4.7%	4.4%			
Inflation (% Growth)																					
GDP Deflator	1.9%	1.7%	1.7%	0.9%	1.0%	1.8%	2.3%	1.7%	1.3%	4.6%	7.1%	3.6%	2.4%	1.8%	1.6%	1.7%	1.8%	1.8%	1.5%	3.8%	1.8%
PCE	1.9%	1.3%	1.4%	0.2%	1.0%	1.7%	2.0%	1.4%	1.1%	4.1%	6.6%	3.8%	2.5%	2.2%	1.8%	1.9%	2.0%	2.0%	1.3%	3.6%	2.0%
PCE - Core	1.9%	1.5%	1.5%	1.2%	1.6%	1.6%	1.9%	1.6%	1.3%	3.6%	5.4%	4.1%	2.8%	2.4%	2.1%	2.0%	2.1%	2.1%	1.6%	3.4%	2.1%
Labor Market																					
Unemployment Rate (%)	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%	3.7%	8.1%	5.3%	3.6%	3.6%	4.0%	4.3%	4.5%	4.1%	3.7%	3.5%			
Labor Force Participation (%)	63.7%	63.2%	62.9%	62.7%	62.8%	62.9%	62.9%	63.1%	61.7%	61.7%	62.2%	62.6%	62.6%	62.7%	62.8%	62.8%	62.8%	62.7%			
LFP % - Prime Age	81.4%	81.0%	80.9%	80.9%	81.3%	81.7%	82.1%	82.5%	81.4%	81.6%	82.4%	83.3%	83.4%	83.3%	83.6%	83.8%	83.9%	84.0%			
Supply Side (% Growth)																					
Total Hours Worked	1.9%	1.3%	2.0%	2.1%	1.2%	1.2%	1.9%	1.0%	-6.5%	4.4%	3.2%	1.4%	1.0%	0.9%	0.5%	1.0%	1.1%	0.9%	1.5%	0.5%	0.9%
Labor Productivity	0.4%	0.8%	0.6%	0.8%	0.6%	1.3%	1.1%	1.5%	4.7%	1.6%	-0.6%	1.5%	1.8%	1.0%	1.2%	1.5%	1.8%	1.7%	1.1%	1.8%	1.4%
Output Gap (% Potent. GDP)	-5.2%	-5.1%	-4.5%	-3.8%	-4.0%	-3.1%	-2.1%	-1.8%	-4.9%	-0.8%	-1.2%	-1.1%	-0.4%	-1.7%	-1.8%	-1.2%	-0.4%	0.0%			
Other																					
Govt Budget Balance (% GDP)	-9.3%	-5.9%	-5.2%	-4.6%	-5.4%	-4.4%	-6.1%	-6.7%	-15.0%	-11.8%	-3.7%	-7.6%	-7.6%	-7.4%	-7.6%	-7.1%	-7.4%	-7.2%			
Net Exports (% GDP)	-3.4%	-2.8%	-2.9%	-2.9%	-2.7%	-2.8%	-2.9%	-2.7%	-2.9%	-3.6%	-3.7%	-2.9%	-3.1%	-3.2%	-3.2%	-3.2%	-3.1%	-3.1%			
Market (Year Avg)																					
Fed Funds Rate	0.14%	0.11%	0.09%	0.13%	0.40%	1.00%	1.83%	2.16%	0.38%	0.08%	1.68%	5.02%	5.14%	4.17%	3.25%	2.48%	2.38%	2.38%			
10-Year Treasury Yield	1.80%	2.35%	2.54%	2.14%	1.84%	2.33%	2.91%	2.14%	0.89%	1.44%	2.95%	3.96%	4.21%	4.30%	3.60%	3.25%	3.25%	3.25%			

Source: Bureau of Economic Analysis, Morningstar.

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